

JUARY
1939

WEEK
AGO



YEAR
AGO



BUSINESS
INDICATOR

MERCURY

WORLD'S ONLY LIQUID METAL...

CUTS POWER COSTS

Another true case history from the Allis-Chalmers files that proves "IT PAYS TO BUY THE EQUIPMENT THAT PAYS FOR ITSELF!"

Read How Allis-Chalmers Mercury Arc Power Rectifiers Cut Power Costs \$2200 a Year for Steel Mills ... How They Save on Operating and Maintenance Costs for Coal Mines and Traction Systems! Get the Details on the Big Savings Allis-Chalmers Can Give You ... with the Equipment that Pays for Itself!

A plaything ... a touchstone ... a medicine ... an explosive—for centuries that has been the amazing story of mercury, the world's only liquid metal!

And here's the most sensational chapter in that story—how mercury works for modern industry to cut power costs ... reduce maintenance costs ... make workmen's jobs easier!

It's the most unusual commercial use of mercury ... the mercury arc power rectifier, pioneered in America by Allis-Chalmers to give all industry inexpensive power conversion.

Rectifiers Pay for Themselves!

For mercury arc rectifiers change alternating current—cheaper to make and transmit—to direct current—easier to use in many applications. And they do it more efficiently ... more cheaply than ever before possible. Actual true



BECAUSE MERCURY IS SUSCEPTIBLE TO ANYTHING UNCLEAN, the Allis-Chalmers rectifier shops are kept spotlessly clean. And, like surgeons, workmen are "Men in White." However, after the machine is finally sealed, such precautions are no longer necessary, and the rectifier becomes one of industry's hardest machines.

case histories in the Allis-Chalmers files show that Allis-Chalmers Mercury Arc Rectifiers have paid for themselves in a wide range of industries.

In a big steel mill, a mercury arc rectifier is saving \$2200 a year in power costs. They're saving \$300 to \$400 a month for a large coal mine, and they're setting cost-cutting records for producers of electrolytic products. Traction systems and radio stations find that power costs are lower ... maintenance costs reduced ... outage time cut down ... ever since they installed this Allis-Chalmers equipment.

These are unusual examples of the versatility of Allis-Chalmers' cost-cutting engineering service. But in plants all over the country equipment engineered by Allis-Chalmers is paying for itself in the dollars it saves!

That's what other informed executives got when they put 90 years of engineering experience to work for them. Write to Allis-Chalmers or call the nearest District Office. Let a trained production engineer give you the whole story on the savings you get with Allis-Chalmers equipment ... the equipment that pays for itself.

PRODUCTS ENGINEERED TO PAY FOR THEMSELVES

Electrical Equipment • Power Transmission Equipment • Steam and Hydraulic Turbines • Blowers and Compressors • Engines and Condensers • Centrifugal Pumps • Flour and Cereal Mill Equipment • Boiler Feedwater Treatment • Saw Mill and Timber Preserving Machinery • Crushing, Grinding, and Mining Machinery • Power Farming Machinery • Industrial Tractors and Road Machinery



ALLIS-CHALMERS

MILWAUKEE • WISCONSIN

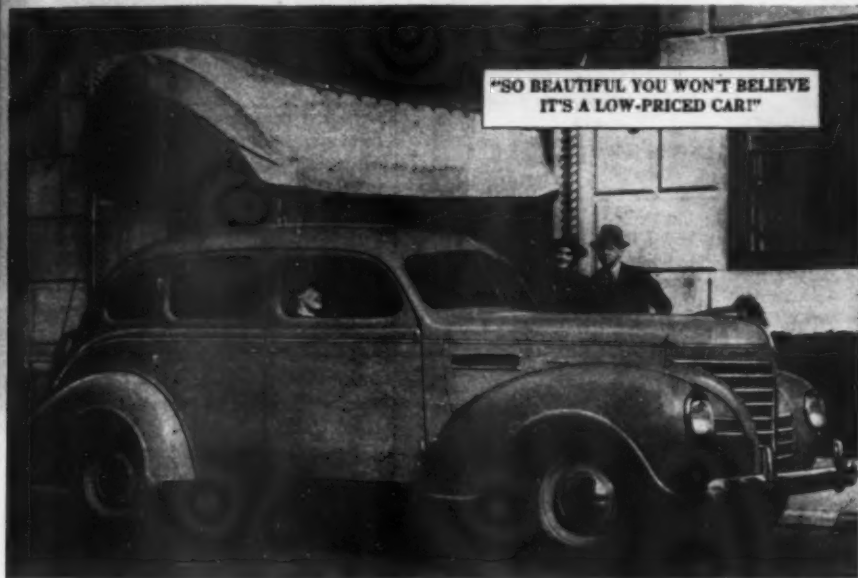
You See Finer Quality in Every Single Detail

You see it in the car's size and styling. You see it in the luxurious appointments. You see it in engineering—everywhere and in everything... finer quality!

The value is up, prices are down—that's Plymouth's big story. It's one thing to raise quality, but to lower prices

as well—that's a great achievement.

Easy to own...your present car will probably represent a large proportion of Plymouth's low delivered price...with the balance in surprisingly low monthly instalments. PLYMOUTH DIVISION OF CHRYSLER CORPORATION, Detroit, Mich.



NEW 1939 PLYMOUTH "DE LUXE" 4-Door Touring Sedan...with rust-proofed Safety-Steel body.

VALUES UP PRICES ARE DOWN

1. Greater Size—114-inch Wheelbase.
2. Thrilling High-Torque Engine Performance with New Economy.
3. New Coil Springs of special Amola Steel.
4. Perfected Remote Control Gear Shifting.
5. New All-Silent Auto-Mesh Transmission.
6. New Streamlined Safety Headlamps give greatly increased road lighting.
7. Ingenious new "Safety Signal" Speedometer.
8. Time-Proven, Double-Action Hydraulic Brakes.

TUNE IN MAJOR BOWEN'S ORIGINAL AMATEUR HOUR, C.B.S. NETWORK THURSDAYS, 9 TO 10 P. M., E.S.T.

EASY TO BUY

"Detroit delivered prices" include front and rear bumpers, bumper guards, spare wheel, tire and tube, foot control for headlight beam with indicator on instrument panel, ash-tray in front and rear, sun visor, safety glass and big trunk space (19.6 cubic feet). "Roadking" models start at \$645; "De Luxe" models slightly higher. Prices include all federal taxes. Transportation and state, local taxes, if any, not included. See your Plymouth dealer for local delivered prices.



STANDARD EQUIPMENT on "De Luxe" models at no extra cost—Perfected Remote Control Shifting (left) with Auto-Mesh Transmission. Much easier.

NEW AMOLA STEEL Coil Springs (right), finest design known, give Plymouth a wonderful new ride. Amola Steel is the new marvel of metallurgy.



PLYMOUTH BUILDS GREAT CARS

NEW "ROADKING"
NEW "DE LUXE"



THE MAHOOT OF A MILLION HORSEPOWER

The elephant could crush his driver. Only the mahout's skill keeps the threat of his titanic power in bounds.

Likewise, for 72 years, Hartford Steam Boiler has helped industry keep its millions of horsepower from going on the rampage.

Pioneer American engineering insurance company, Hartford brings to its job the experience born of 18,000,000 inspections, made over 72 years. It is master of one exacting trade: the single business of guarding against loss from accidents to power. Each of its more than 400 field inspectors is a specialist, shrewd not only to detect, but to deflect looming disaster, and to prolong the usefulness of valuable equipment.

When accidents do occur, as they sometimes will despite all efforts to thwart them, Hartford Steam Boiler insurance protects its policyholders. But, better still, Hartford devotes a large part of each premium dollar to inspection: its characteristic "ounce of prevention." Hartford's home-office engineering staff, field force, research make common cause, as one, against power-plant rack and ruin.

Ask your agent or broker how Hartford helps you hang on to your profits.



THE HARTFORD STEAM BOILER
INSPECTION
AND INSURANCE COMPANY
HARTFORD, CONNECTICUT

THIS BUSINESS WEEK



National defense is the theme of this week's cover. And, as the Washington Bureau has been saying for several months, it's the guise for almost everything that will be proposed to the 76th Congress. Which leads you straight from the cover to the analyses of the President's message (page 12) and the Lima conference (page 40).

ONE READER asks a question which may have puzzled others. "How is BUSINESS WEEK able to print, on its cover, a business thermometer with figures for the latest week? I have just been reading the boast of another weekly magazine that its covers are printed only two weeks ahead—and they seemed to think that was a speed record for color printing."

There are two answers. First, BUSINESS WEEK's cover is not printed two weeks ahead. Just three days—and we think that's a record.

Second, the red thermometer is the last thing printed. The other colors, as many as needed for the ad on the back, are all printed first.

Third, the red color plate is made with the mercury in the thermometer running all the way to the top. Then, at the last minute, when the figures of the week are available, the thermometer is chiseled off at the right height.

Someday we're going to forget to cut off the thermometer—and start a business boom.

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A McGRAW-HILL

PUBLICATION

B-6

Illustrating a chapter in the history of California..



Condensed Statement of Condition Dec. 31, 1938 Bank of America National Trust and Savings Association

RESOURCES

Cash in Vault and in Federal Reserve Bank	\$ 186,333,489.77
Due from Banks	113,835,809.49
Securities of the United States	
Government and Federal Agencies	412,278,313.07
State, County and Municipal Bonds	102,975,352.36
Other Bonds and Securities	39,678,762.88
Stock in Federal Reserve Bank	2,700,000.00
Loans and Discounts	673,828,309.03
Accrued Interest and Accounts Receivable	1,750,995.60
Bank Premises, Furniture, Fixtures and Safe Deposit Vaults	35,531,683.59
Other Real Estate Owned	3,865,278.79
Customers' Liability on Account of Letters of Credit, Acceptances and Endorsed Bills	20,538,921.69
Other Resources	1,404,752.25

TOTAL RESOURCES \$1,574,721,669.51

LIABILITIES

Capital	\$ 50,000,000.00
Surplus	42,000,000.00
Undivided Profits	22,088,589.85
Reserves	2,771,761.78
Liability for Letters of Credit and as Acceptor, Endorser or Maker on Acceptances and Foreign Bills	20,863,816.97

DEPOSITS:

Commercial	\$615,216,151.04
Savings	821,811,339.89
TOTAL DEPOSITS	1,437,027,490.93

TOTAL LIABILITIES \$1,574,721,669.51

This statement includes the figures of the London, England, banking office: 12 Nicholas Lane, E.C. 4.

...a page in the story of Bank of America

Nineteen hundred thirty-nine...a long road has been traveled since Commander Montgomery claimed California for the Union...a long road since Bank of America was founded as a small neighborhood bank in San Francisco.

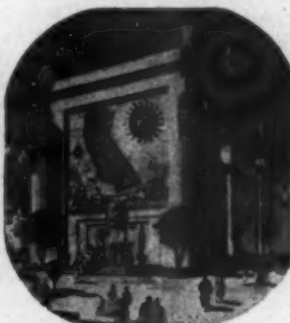
Now California...and Bank of America...each with a rich tradition of pioneering to look back upon, might well pause to survey the progress made.

And so California—with a great Fair on magical Treasure Island—"illustrates" a chapter in its history.

And so Bank of America—whose deposits and resources, as shown in its current Statement of Condition, reach a new high—participates in that Fair by building a complete banking office on the Fair grounds in the center of San Francisco Bay.

Bank of America invites you to come to the Golden Gate International Exposition. Bank of America invites Eastern bankers and business executives who have an interest in California to visit the head offices of Bank of America in San Francisco or Los Angeles. California's great Fair has attractions that will interest everyone. Bank of America has a story of service that will interest you.

The Golden Gate International Exposition which opens February 18, 1939, celebrates the completion of the Golden Gate Bridge and the San Francisco-Oakland Bay Bridge—the two largest bridges in the world. The Fair closes December 2, 1939. The Bank of America branch shown is a complete banking office on the Fair grounds on Treasure Island.



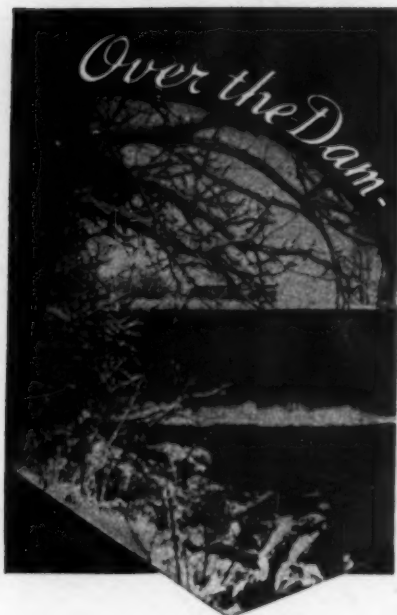
THE "BANK OF AMERICA BUSINESS REVIEW," a monthly publication, contains comparative indices of business activity on the entire Pacific Coast with special studies of various industrial classifications. This monthly publication will be sent upon request to bankers and business executives.

Bank of America

NATIONAL TRUST & SAVINGS ASSOCIATION

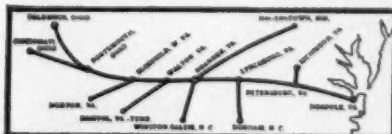
CALIFORNIA'S ONLY STATEWIDE BANK





MUCH water has gone "over the dam" during the Norfolk and Western Railway's first Century of Service. Progress has been rapid. The past one hundred years have seen in America the greatest era of expansion and development recorded in the history of any country . . . the growth of the world's finest transportation system; the development of fertile farm lands and unsurpassed natural resources; the amazing organization of industry and the building of the institutions of banking, barter and trade. The Norfolk and Western Railway has throughout the century been an essential part, serving faithfully and dependably the territory between the Midwest and the Virginias and Carolinas and between the North and the South.

As the waters of time top the crest of the New Year, the Norfolk and Western looks forward to a new century dedicated to serving the future transportation needs of its friends and patrons everywhere. To that end, and in keeping with the increased pace of modern economic life, the Railway will continue to improve its service and facilities.



NORFOLK AND WESTERN
Railway
PRECISION TRANSPORTATION

NEW BUSINESS

Beer Bottle Retorts

GLASS CONTAINER ASSOCIATION, New York, blasts back at claims of beer can manufacturers by declaring that survey of 554 of the country's 620 producing brewers discloses use of cans for beer has declined, that bottles carried 91% of packaged beer in 1938. . . . One of the fast "Streetliner" type street cars of Pittsburgh Railway Co. was lent to Cleveland Railway Co. for try-out prior to latter corporation's announcement of modernization and its proposal for new franchise; poll of 1,682 riders showed 97% favor this type car over buses, that 99% prefer it to old-type trolleys. . . . New Firestone Tire X-ray reveals tacks, glass particles, broken cords, other hazards buried in rubber and not visible under ordinary examination.

Druggists Freeze Their Own

Drug Topics, New York, says about 8,000 druggists are now making ice cream with their own counter freezers, that \$2,000,000 was spent by druggists for freezers during 1938. . . . *Variety*, favorite weekly of show business, notes passing of "Motion Pictures' Greatest Year" campaign and end of \$250,000 fan quiz contest, suggests that the award should have been made to stimulate better films, declares the industry is back where it started with good pictures making money and corney ones in the red. . . . During 1938 North Carolina acquired 120 new industries, including 42 hosiery mills, and 68 plant additions of which 36 also were for hosiery.

Year-End Figures

STANDARD OIL CO. of N. J. estimates 1938's demand for oil at 1,320,000,000 bbl., a decline of 1.4% from previous year. . . . Past year's tax bill took away two weeks' income from 10,000,000 car-owning families and nearly one week's from an equal number, according to Baird H. Markham, director, American Petroleum Industries Committee. . . . J. W. Van Dyke, chairman, Atlantic Refining Co., Philadelphia, says value of average barrel of oil products dropped 29¢ in past twelvemonth, benefiting the public by decline of \$302,000,000 in wholesale price but impairing company profits.

Hotfoot It on Copper

AT CHICAGO'S BLACKSTONE HOTEL jitterbugs gyrate on a copper dance floor made by American Brass Co., Waterbury, Conn. . . . University of Wisconsin, Madison, employs *BUSINESS WEEK* as a source for educating consumers in "the modern market". . . . Museum of Modern Art, New York, being built with gallery floors like lofts; flexible exhibition

arrangements will be possible through use of demountable walls, and lighting fixtures in strips that can be "buttoned" on and off ceiling at any location. . . . If you want a portable canvas swimming pool for your lawn next summer write to Gourock Ropework Export Co. Ltd., Buenos Aires, Argentina.

Depth Movies Again

THREE-DIMENSIONAL MOVIES (with depth as well as height and width) without the use of polaroid spectacles are claimed by Dr. Joseph Coplans, Johannesburg, South Africa; his method puts stereoptic effect into the film. . . . Dallas and Houston units of Sears-Roebuck offer new shopping service enabling customers to telephone orders from catalogue and have purchases delivered to their doors. . . . Chicago Musical Instrument Co. has a hit item in its Tonette, which resembles a clarinet, has a distinctive musical tone, can be played by a novice after an hour's practice, costs \$1.

Boost Citrus Fruit

TO WIN FARMERS' good will for chain stores, units of Melville Shoe, Adam Hat Stores, United Cigar-Whelan, and many others will use window displays and special promotion during Jan. 14-Feb. 4 drive for citrus fruit sales. . . . Chicago & Eastern Illinois R.R. will open permanent coal exhibit and research headquarters in Chicago. . . . Skeet shooting has been included in workers' recreational programs by many companies, including International Business Machines, Remington Arms, Young Spring & Wire, du Pont, Bethlehem Steel, United Motors. . . . In considering excessive winter clothing worn by men in rooms where women wear very little, American Radiator's Institute of Thermal Research, Yonkers, N. Y., wonders whether homes and offices of the future will require separate rooms for men and women with proper temperature in each. . . . Philadelphia meeting of the Illuminating Engineering Society was told by Harold M. Alexander, of Libbey-Owens-Ford, that adoption of modern theater's revolving stage would be the next revolutionary development for store windows.

Rescue Problem

BEFUDDLED BY PROLONGED warm weather last fall, 10,000 wild fowl on Alberta lakes lost their migratory instinct, fooled around until severe cold caught them. Thomas C. Main, general manager of Ducks Unlimited (Canada), is determined to help the marooned birds. He is getting estimates to see whether it will be cheaper to feed them where they are or to ship them to the nearest open water.

WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)—"National defense," spectacularly launched on its career by the President this week and scheduled to receive another boost in a separate message, may be the magic phrase around which there will be a lot of governmental maneuvering this year, but in itself it is certainly not enough to account for the fact that this Congress is certain to be the biggest spender in the country's history.

Its immediate predecessor spent \$20,700,000,000; the two-year spree about to start will soar well above that. Preparedness will contribute its share of the increase, but social security, public health, and flood control are likely to appear even more formidable.

No Big Reduction

THE RECORD-SPENDING PROCLIVITY of the new Congress—its only clearly defined characteristic—was recognized by the President in his warning against "opportunistic appropriations" (page 12). Of course, in his opening address he himself eschewed any drastic reduction in government spending as dangerous to business recovery—now so dear to his heart—and a day later in his budget message he made his recommendation specific by estimating 1940 fiscal requirements at \$8,995,000,000, as against \$9,492,000,000 this year.

Public Health Plans

BIGGEST UNKNOWN QUANTITY in coming federal appropriations is public health. Just what method will be followed is still a mystery. Sen. Wagner is working on a health insurance measure, but other Senators are likely to be more skeptical of golden promises and more insistent on brass tacks than when they approved Wagner's ideas on housing—or on labor relations.

Prevailing Rate Stays

IN TACKLING the relief problem, Congress will sidestep when it comes to curing a vital defect of its own making in the WPA set-up. Prodded by organized labor, Congress several years ago forced on WPA the payment of prevailing wage rates. Coupled with a limit on the total wages paid, this supports WPA workers in idleness for a substantial period every month.

Individual Congressmen admit that full-time work for WPA's "security" wage would rob WPA jobs of much of their attraction but most of them will not vote that way.

WPA Watchdog Stays

POLITICS APLENTY in WPA is revealed by the report of the Sheppard Campaign Expenditures Committee, but the fact stands out none the less that very few dollars of WPA's billions have been stolen—thanks in large part to Corrington Gill, the man whom Hopkins left behind him in WPA. Despite rumors that he would go with Hopkins to help him resuscitate the Commerce Department, Gill will remain in his job as Assistant Administrator of WPA in

Confirmations Expected

THE LONG-AWAITED LIST of appointees to fill principal vacancies—Hopkins for Secretary of Commerce, Murphy for Attorney General, Pope to head TVA, and Frankfurter for the Supreme Court—will give the Senate a fine chance to work out on partisan politics early in the session, but won't do much to clarify the actual lineup of pro- and anti-New Deal votes.

Reason: On Hopkins and Murphy for the cabinet there is considerable opposition, but the appointments will be confirmed, despite oratorical fireworks, because of the feeling that a President should have a pretty free hand in selecting his official family. As for Pope and Frankfurter, the former is a "lame duck" Senator from Idaho, and the latter has been so obviously a leading contender all along that the opposition, such as it might have been, has been pretty well reconciled to his appointment. The fact that Frankfurter is said quietly to have opposed the Supreme Court packing is a point in favor of the Corcoran-and-Cohen sponsor.

A fifth appointment—that of Donald Wakefield Smith to a renewed term on the National Labor Relations Board—is likely to be ditched by the President to avoid almost certain defeat in the Senate, where opposition to Smith as a John L. Lewis man has been building up for months. David John (Davey) Lewis, faithful New Deal Congressman sacrificed in the attempt to purge Sen. Tydings of Maryland, is slated for the post. He's jake with both the C.I.O. and A.F.L.

charge of finance and research. Gill keeps tab on the money going out to the states and renders the accounting to the Treasury and Congress.

By keeping a constant check on employment conditions, he is responsible for the constant turnover in WPA which has held the number of continuous job-holders since 1933 down to 5%. He is responsible for raising the standards of WPA's huge program of research projects covering hundreds of industrial, trade, and social topics.

Slap at Patman Bill

PATMAN'S CHAIN STORE TAX BILL is H. R. 1 in Congress' bill hopper, but Speaker Bankhead promptly squashed any show of strength for this and other legislation by putting a ban on inclusion of the names of other Congressmen as co-authors.

The contemplated strategy of the Patmanites, however, would have lost most of its punch this year as 32 of the 74 sponsors of his bill last session were eliminated in the primaries or elections, and although some of the new Congressmen appeared at Patman's pep session this week, it is doubtful that many of them could be persuaded to become active sponsors.

Also banned by the Speaker are long preambles such as that in the Patman bill, designed as a constitutional prop for the measures they seek to justify.

Resale Price-Fixing Hit

THURMAN ARNOLD'S ATTACK on the Miller-Tydings resale price maintenance law as a glaring contradiction of antitrust policy and his plea for "legislative reconciliation" anticipates a similar recommendation by the Temporary National Economic Committee.

Anxious to protect dealers who make low bids on government purchases but in so doing have to face prosecution for violating state fair trade acts (to which the Miller-Tydings law is geared), the Administration is squarely behind the move for repeal of the measure forced on Roosevelt as a rider to a District of Columbia appropriation bill a year and a half ago.

Wallace Plan Aids Chains

IN ALL THE RANTING AGAINST MONOPOLY by the Administration, the chain stores have never been the target. The Miller-Tydings line of legislation was put over with the left-handed support of Jimmy Roosevelt.

If the McKesson & Robbins affair isn't enough to knock down Patman's chain store tax bill, Sec. Wallace's plans

SIX-YEAR RECORD OF HEATING EFFICIENCY AT 10 PARK AVENUE

Webster Moderator System Helps Apartment-Hotel Building to Secure Economical Heating

MINIMUM STEAM CONSUMPTION

Heating Satisfaction Is Reported by Dessark Corporation, New Lessee at 10 Park Avenue

EVEN STEAM DISTRIBUTION

New York, N. Y.—From the time of its construction six years ago, the large apartment-hotel building at 10 Park Avenue has received balanced heating service with minimum cost for steam as a result of the efficient operation of a Webster Moderator System of Steam Heating.

The economy of the Webster Moderator System is shown in a two-year extract from the six-year record of performance, based on meter readings of steam taken from the mains of the New York Steam Corporation, as follows:

	Lbs. Steam per Sq. Ft. Radiation per D.D.	Lbs. Steam per D.D.
1932-33	.6413	2,148.77
1933-34	.6081	2,419.87

In 1937, the 10 Park Avenue Building was transferred to new owners, placed under the management of William A. White & Sons, and leased to the Dessark Corporation. Edward F. Gallaher, assistant vice-president and operating manager of William A. White & Sons, states:

"This is our first heating season with the Webster Moderator System. We find it efficient and economical."

Even distribution of steam, accomplished with Webster Metering Orifices, assures comfort for residents in all sections. Steam is delivered continuously to all radiators, without excessive heating.

Jarcho Bros., Inc., well-known New York firm, acted as heating contractors. There is a total of 35,000 sq. ft. of installed direct radiation. Clark MacMullen & Riley served as consulting engineers on the straight vacuum system. The building was designed by Robert T. Lyons, New York architect, and built by Geekie-Naughton, Inc.

These before-and-after facts point the way to maximum comfort and economy in heating new buildings as well as in modernization of existing installations. Consult your architect, engineer or heating contractor. Or address WARREN WEBSTER & CO., Camden, N. J., Pioneers of the Vacuum System of Steam Heating. Representatives in 60 principal U. S. Cities—Est. 1888



10 Park Avenue
New York, N. Y.

to move crop surpluses by gearing up distribution machinery to carry them to consumers in big volume will do the trick. The chain stores fit right into this picture.

Anti-Lynching Bill Again

INTERMINABLE WASTE OF TIME in the Senate this winter is assured by determination of Senators Wagner, Van Nuys, Capper, and others to force through the anti-lynching bill. The bill would pass with a whoop if it ever came to a vote. Hence, Southerners cannot permit a roll call to be reached.

Last session they talked it to death. This time it will be harder because the fight will start early—with no fixed or agreed upon adjournment in sight. Closure is out of the question. It requires a two-thirds vote. However, opponents will be helped by numerous Senators who actually don't want the bill passed but who would have to vote for it, if the showdown came, because of a fear of otherwise angering large blocs of Negro voters in their states.

No Stopping Silverites

ROOSEVELT'S SURRENDER to the silver state Senators in not reducing the subsidy price paid for silver mined in this country convinces observers that the silver buying policy, adopted early in the New Deal as a compromise with inflation, will be continued at the expiration next June of the triple-purpose law empowering the President to fix the price of gold within certain limits, authorizing him to issue three billions of greenbacks, and directing him to buy silver.

Greenbacks are unthinkable to Roosevelt, despite the power given him; further tinkering with the gold price is not on the horizon; but silver buying will go on, despite the personal desire of Roosevelt and Morgenthau to stop doing something which virtually all of the economists and fiscal experts think is absurd.

There are too many Senatorial votes in those Western hills.

No Postage Rail Rate

IN ASKING the Interstate Commerce Commission to report on the feasibility of a widely publicized scheme of "postage stamp" rail passenger fares, Sen. Wheeler of the Senate Interstate Commerce Committee merely is passing the buck. That the report will turn thumbs down on the proposal is a foregone conclusion.

Investigation of the plan is regarded as having the merit of laying it by the heels, so it is more welcomed by railroads and other opponents of the proposal than by its sponsors. The Hastings plan figures, however, in putting pressure on the railroads for a cut in passenger fares.

Highway Plans Set

THE ROAD-BUILDING CROWD whose pipeline into the Treasury has irked the

President in the past will sit tight this year on the \$100,000,000 authorized by the last Congress for federal-aid construction in the fiscal year commencing next July.

As required by law, the funds were allocated among the states at the turn of the calendar year so that they could shape their plans and place contracts.

Highway officials will busy themselves this session in heading off various schemes for a national gridiron of so-called super-highways. They will have the support of a forthcoming report by the U. S. Bureau of Public Roads.

Ship Program Lags

THE MARITIME COMMISSION announces that \$130,000,000 in ship construction contracts were let during 1938 for a total of 51 bottoms.

Context of the publicity handout implies that the Commission is rolling along on its 50-ships-a-year schedule, but it's really more than a year behind time. "The first launching" under the subsidy program announced for Jan. 7 is an oil tanker which would have been built regardless of the Commission, and whose only connection with the government program is its subsidized defense features.

The first bona fide launching under the Commission's program will be a standard C2 cargo boat about April 15. Shipping men say the Commission is doing a fine job on engineering.

What Is a Doctor?

IN ITS DRIVE FOR SOCIALIZED MEDICINE the Administration's attack on the doctors will also go into the varying standards of their professional qualifications.

WPA's research organization has been asked by Thurman Arnold of the Department of Justice, the Social Security Board, and other agencies interested in the health program to survey the diverse character of state medical laws concerning internship and other professional requirements prerequisite to practice. The project, still tentative, will probably go through.

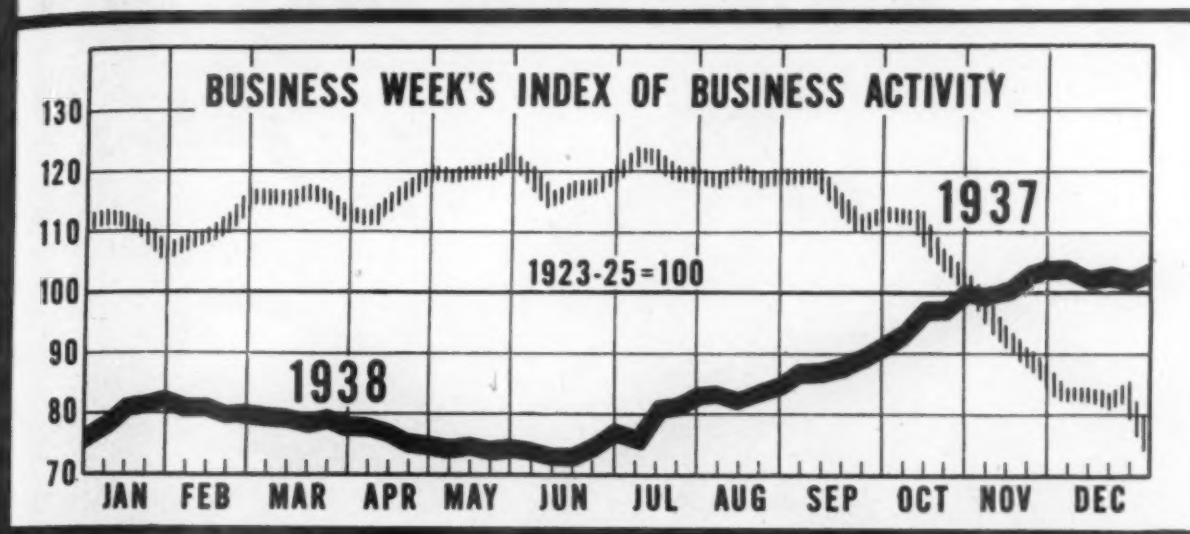
Start Conservation Program

WILD-LIFE restoration projects, lined up under the Pittman-Robertson act of 1937, will take all the funds for several years to come that Congress appropriates under the provision authorizing annual diversion for this purpose of 10% of tax collections on sporting arms and ammunition.

This percentage would yield \$3,500,000 beginning July 1, 1939, but the last Congress appropriated \$1,000,000 for the current fiscal year. The appropriation will be enough to set up an organization and line up state game departments which have to add 25% to qualify for a federal grant.

Wide demand from sportsmen is expected to persuade Congress to appropriate the full amount for next year.

THE FIGURES OF THE WEEK

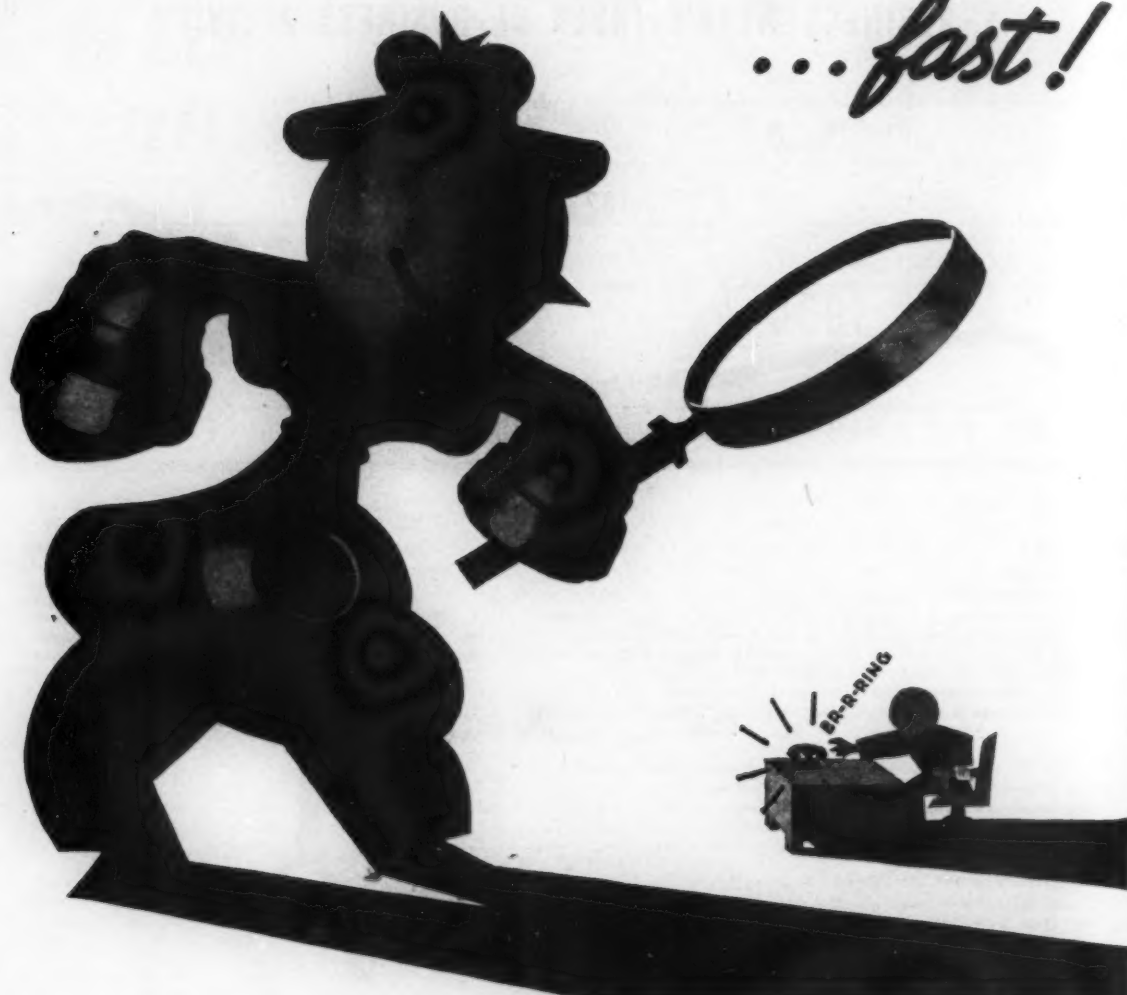


THE INDEX	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
PRODUCTION	104.7	103.4	105.2	78.4	77.7
Steel Ingot Operations (% of capacity)	80.7	38.8	89.9	22.4	25.6
Automobile Production	75,715	92,880	98,095	40,945	49,550
Residential Building Contracts (F. W. Dodge, 4-week daily average in thousands)	\$3,786	\$3,960	\$4,296	\$3,232	\$1,864
Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands)	\$13,332	\$11,788	\$10,986	\$8,606	\$7,939
Electric Power Output (million kilowatt-hours)	2,121	2,363	2,286	2,015	1,998
Crude Oil (daily average, 1,000 bbls.)	3,201	3,450	3,224	3,050	3,437
Bituminous Coal (daily average, 1,000 tons)	1,392	11,353	1,533	862	1,250
TRADE					
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	62	64	67	61	60
All Other Carloadings (daily average, 1,000 cars)	38	37	40	32	38
Check Payments (outside N. Y. City, millions)	\$3,937	\$5,463	\$3,760	\$3,798	\$4,209
Money in Circulation (Wednesday series, millions)	\$6,912	\$6,943	\$6,788	\$6,428	\$6,571
Department Store Sales (change from same week of preceding year)	+13%	+2%	-4%	-10%	—
PRICES (Average for the week)					
Spot Commodity Index (Moody's, Dec. 31, 1931=100)	143.7	142.6	140.5	143.1	146.9
Iron and Steel Composite (Steel, ton)	\$36.36	\$36.37	\$36.36	\$36.29	\$36.92
Scrap Steel Composite (Iron Age, ton)	\$14.92	\$14.92	\$14.75	\$12.88	\$14.00
Copper (electrolytic, Connecticut Valley, lb.)	11.250¢	11.250¢	11.250¢	9.500¢	10.150¢
Wheat (No. 2, hard winter, Kansas City, bu.)	\$0.71	\$0.66	\$0.65	\$0.73	\$0.96
Sugar (raw, delivered New York, lb.)	2.84¢	2.87¢	2.93¢	2.69¢	3.20¢
Cotton (middling, New York, lb.)	8.90¢	8.84¢	8.72¢	9.03¢	8.41¢
Wool Tops (New York, lb.)	\$0.846	\$0.833	\$0.828	\$0.793	\$0.862
Rubber (ribbed smoked sheets, New York, lb.)	16.35¢	16.46¢	15.97¢	15.06¢	14.31¢
FINANCE					
Yield—Corporate Bonds (Standard Statistics, 45 issues)	5.72%	5.86%	5.82%	6.12%	5.76%
Yield—U. S. Bonds (average of all issues due or callable after 12 years)	2.48%	2.49%	2.51%	2.54%	2.55%
Yield—U. S. Treasury 3-to-5 year Notes	0.68%	0.69%	0.68%	0.68%	1.23%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average)	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate)	%	%	%	%	1.00%
Business Failures (Dun & Bradstreet, number)	236	229	207	256	266
BANKING (Millions of dollars)					
Demand Deposits Adjusted, reporting member banks	15,966	16,025	16,013	15,036	14,431
Total Loans and Investments, reporting member banks	21,649	21,742	21,325	20,561	21,402
Commercial and Agricultural Loans, reporting member banks	3,843	3,857	3,866	3,936	4,601
Securities Loans, reporting member banks	1,408	1,420	1,284	1,235	1,529
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks	9,998	10,051	9,768	9,258	9,134
Other Securities Held, reporting member banks	3,221	3,218	3,220	2,962	2,881
Excess Reserves, all member banks (Wednesday series)	3,070	2,960	3,380	2,900	1,187
Total Federal Reserve Credit Outstanding (Wednesday series)	2,610	2,656	2,544	2,590	2,602
STOCK MARKET (Average for the week)					
50 Industrials, Price Index (Standard Statistics)	129.8	126.8	124.0	117.6	103.8
20 Railroads, Price Index (Standard Statistics)	84.1	81.8	79.8	78.3	50.4
20 Utilities, Price Index (Standard Statistics)	68.8	68.5	62.6	63.2	58.8
90 Stocks, Price Index (Standard Statistics)	104.8	101.8	99.3	94.9	85.0
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares)	1,506	1,396	888	2,131	940

* Factor in Business Week Index. * Preliminary, week ended December 31. † Revised. ‡ Date for "Latest Week" on each series on request.

LONG DISTANCE FINDS 'EM

...fast!



YOUR FRIENDS, and the people you do business with, may be scattered from coast to coast. But in one minute and a half (average time) Long Distance can ring the telephone of almost any one of them.

It is easy to forget the wonder of familiar things like Long Distance telephone service. Every day it saves miles, minutes, money, for all kinds of business. It multiplies man-power. It gets things done. And as the rate table at the right will remind you, it costs little in proportion to the BIG job it does.



HERE'S HOW LITTLE LONG DISTANCE COSTS:

BETWEEN THESE POINTS	Day Rates (except Sunday)	
	Station to Station*	Person to Person*
Detroit, Mich. . . Cleveland, Ohio . .	\$.50	\$.70
Kansas City, Mo. Omaha, Neb. . .	.75	1.05
Philadelphia, Pa. Boston, Mass. . .	1.00	1.35
Milwaukee, Wis. Pittsburgh, Pa. . .	1.50	2.00
Atlanta, Ga. . . Kansas City, Mo. . .	2.00	2.65
Seattle, Wash. . Denver, Colo. . .	3.00	4.00
Newark, N. J. . Fort Worth, Texas . .	4.00	5.25
Portland, Ore. . Memphis, Tenn. . .	5.00	6.75
New York, N. Y. San Francisco . .	6.50	8.75

* For 3 minutes. These rates are greatly reduced after 7 every evening and all day Sunday.

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BUSINESS WEEK

January 7, 1939

THE BUSINESS OUTLOOK

Present activity is 25% over a year ago, and in next two or three months a moderate decline can be expected. Second recovery period should get under way in March and April.

AS THE NEW YEAR OPENS, business activity is moving at a rate only a little below the peak touched a month ago, and a good 25% above the level of a year ago. The immediate outlook, extending over the next two to three months, is for a very moderate decline. Time must be given to work off the minor degree of overproduction in relation to current consumer demand which is being noticed in such important lines as steel, automobiles, and textiles. These months of consolidation should mark the conclusion of the first recovery cycle, which began last June and may be called the inventory replenishment period (although the contribution of governmental monetary and spending policy must not be overlooked). Inventory replenishment is not a force of the type which carries through for a long-term revival of business activity.

Expect Construction Revival

The second recovery period, in the absence of wholly unexpected adverse developments, should get under way in March and April. This would be the construction period of the recovery. This has reference to the improved residential building foreshadowed by the rising figures for mortgages insured by the Federal Housing Administration, but it has particular reference to the expected push in the construction of the public works authorized in last April's spending program and allocated to various projects in the intervening months. If to these projects is added anything in the way of railroad equipment purchasing based on legislation by this session of Congress, and if the rising trend of national income paid out to individuals which has been in evidence since last June has its expected effect on spring purchasing of automobiles and other consumers' goods, one may hope for enough of a spring and summer revival movement to take the level of business up another 10 to 15%—or, say, from a March low of

95-100 in the BUSINESS WEEK index to a July peak of 110.

No Remote Forecast

The figures just stated are necessarily stabs in the dark, and even more so

In the Outlook



Result of our newly aggressive foreign policy, of which more is expected, was this week's Chinese government order for 1,000 General Motors and Dodge trucks. Kwang Pu-chen, Shanghai banker, shown above handing G.M.'s share of the order to President Knudsen, came to Detroit following our grant of a \$25,000,000 credit to China. Big deals with South American countries are also in the air. Possibilities there are dramatically indicated in "A Plan for Trade with Latin America," page 41 of this issue.

would be any attempt at this early date to forecast the trend of business after the middle of the year. Based purely on what is in sight today, one might expect the second half to be disappointing. No particular drive from private business and investment can be predicted to take the place of the expected tapering off in government activity. But too many things will happen between January and July to permit attributing any importance to this somewhat pessimistic guess.

Looking to 1940

From now on until November, 1940, business will be increasingly under the influence of national political conditions, pointing toward the Presidential campaign. In the current week politics has come to the forefront with the assembly and organization of the Seventy-sixth Congress and delivery of the President's message. Probably the trend toward conservatism will be continued, but there is little or no chance that it will go far enough to give private business and investment an entirely new or "prosperity" state of mind.

Four Conservative Victories

This trend toward conservatism first became apparent in 1937 with the defeat of the President's Supreme Court reform plan. In 1938 it left four principal landmarks. The first was the defeat of the government reorganization bill, whose significance lay not in the merits of the proposal but in the fact of Congressional rebellion. The second was the passage of the tax revision, sharply reducing the capital gains and undistributed profits tax rates, over the President's objection and without benefit of his signature. The third was the defeat of the Administration's purge of conservative Democrats. The fourth was the Republican gain of 80 House members and eight Senators in November.

During 1939 it is improbable that such

striking steps will be made again—if they are to be made at all, it will be in 1940. There is a good deal of hope expressed that some of the reforms now embodied in the law will be amended to make their operation less hampering to business. The best forecast, however, is that not very much will really be done. To be specific, if the Wagner Labor Relations Act is to be amended, the amendments are not likely to make any vital difference in its practical effects. There is a better-founded hope that the Administration itself will take a more friendly attitude toward the railroads and public utilities. Finally, although the split on principles between the two wings of the Democratic party looks deep enough to foreshadow an ultimate break, it is most improbable that the cleavage will come anywhere near that stage in the present year.

Rail and Utility Buying

The political background, therefore, is not likely to be the basis of a strong forward movement in business during the current year. Some railroad buying will probably be stimulated, and perhaps some utility buying, although the chances hardly favor much utility expansion this year. Long-term investors should feel somewhat more confident when they see the defeat of any efforts to go back to the punitive 1936-38 taxes and they are sure to be encouraged by the general conservative drift. But a thorough revival of confidence which would give capital goods the stimulus, lacking for the past 10 years, which is necessary for real prosperity to return, or even for the business index to rise to 125 (its 1937 peak), can be found nowhere in the outlook.

Unity—for Defense and Recovery

Business is interested in both aspects of the President's plea to Congress, for preparedness means armament orders and recovery means no new reforms.

INTO THE EARS OF BUSINESS MEN an annual message dinned this week an intertwined rhythm of threat and promise. The threat was ascribed to dictatorial aggressors. The promise came from a democratic President.

On the basis of the threat, President Roosevelt will next week suggest to Congress a preparedness program to be financed by a special national defense fund of \$500,000,000, of which, however, only \$210,000,000 is to be spent in the fiscal year 1940, starting next July 1. This week he used the threat to launch a plea for united support of the Administration, asked the country to see the New Deal's past as "six years of national preparedness," characterized its reforms as measures to that end. Willingness to accept and to further these reforms, he implied, should be strengthened by our new appreciation of the outside threat. Even governmental reorganization will be hung on that peg.

Releasing Energies for Recovery

Among the promising phrases of the message, business took particular note of the statement that "we have now passed the period of internal conflict in the launching of our program of social reform; our full energies may now be released to invigorate the processes of

recovery in order to preserve our reforms and to give every man and woman who wants work a real job at a living wage." With this carefully worded indication of a switch from reform to recovery came also the expected broad admission that some of our "new tools of government had to be roughly shaped and still need some machining down." In this connection there was special, though vague, mention of social security and labor legislation.

Stresses Effort to Raise Income

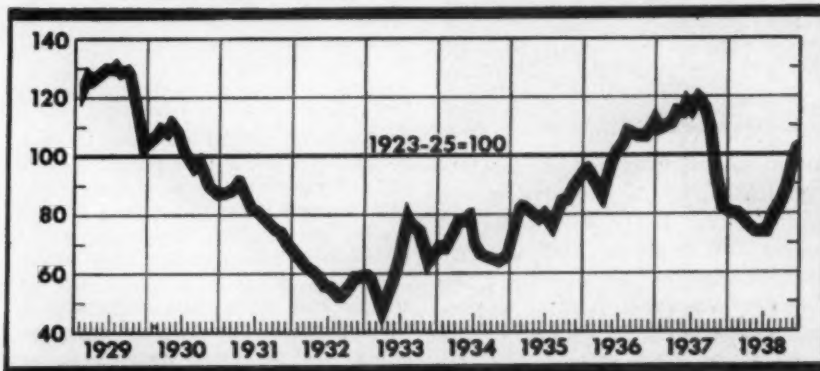
Promise was also seen in the absence from the annual message of any discussion of regulatory taxation and in the emphasis placed on efforts to raise the national income so that the country will yield adequate revenue on the basis of the existing tax structure. But the budget message on Thursday brought out the fact that Congress will be asked to find \$422,000,000 additional revenue in the present session—\$212,000,000 to cover agricultural parity payments for which it refused to levy added taxes last year and \$210,000,000 for the first instalment for national defense. And business noted for future reference that the President included government "investment," otherwise "spending," as an important factor in attaining the \$80,000,000,000 annual income which he has set as a recovery goal. On this question of government "investment for prosperity," Mr. Roosevelt agreed wholly with his Reserve Board chairman (page 44) and devoted a large section of his message to urge against "abrupt reductions at any time in our net expenditure program."

Needs Support of Business

However, the President readily admits that his Administration cannot forge ahead without the support of business in putting capital to work and in bringing capital and manpower together. Business men are asked in his message to promote a wider understanding of the many changes which world conditions and technological improvements have brought to our economy in the last twenty years. These are summed up, rather curiously to business ears, as "changes of the kind in which business men are now educating themselves through opportunities like the so-called anti-monopoly investigation."

As anticipated, the section of the message devoted to foreign affairs was phrased for an all-American audience

Monthly Index Closes Year at New High



Business Week's Monthly Index of Business Activity wound up 1938 by reaching a new high for the year at 104.3, notwithstanding a tapering off from the Dec. 3 top in the Weekly Index (chart page 9). The December average compared with 103.0 for

November (the previous monthly high) and with 83.1 for December, 1937. The average for the entire year—despite the strong close—was 86.3, down 25 points from the 1937 average of 111.9, which was the highest average since 1929's 127.3.

Preparedness—Theme Song for '39

This week's Presidential message made clear that national defense will be the theme song for all Administration moves—internal as well as external—this year. Next week's special message will clarify the specific steps to be taken toward preparedness, but meantime the nation's defense forces are moving ahead on their own account. Airplane factories like the one at the right are turning out planes already ordered. Below, left, the army tests a new semi-automatic rifle to replace the old Springfield. And, lower right, the navy reconitions old World War destroyers at the San Diego base.

Wide World, International



in the continental sense of the term. The strongly religious note in this section was obviously addressed in part to the loyalties of our Latin neighbors. The difficulties encountered by Mr. Hull at Lima got due cognizance in the emphasis on the point that consultation among American republics did not imply disassociation from European friends. Mr. Roosevelt's familiar leaning toward economic sanctions as a weapon in world affairs came out again with his assertion that there are "many methods short of war" to stop aggression and he is expected to make a strong bid to have the Neutrality Act amended to let him distinguish in its application between aggressors and their victims.

Reaction of Business

As indicated by the action of the markets, business was disposed to interpret the President's message as a mildly bullish document despite the war alarms it sounded and despite its strong defense of government spending. The President has spoken favorably of "machining down" the "roughly-shaped" tools of the New Deal. He was called for business cooperation in more convincing tones than hitherto, he has proposed no White House legislation except a reorganization bill which is certain to be more moderate than last year's. Business

also figures that preparedness means armament orders and it will wait to see how far national defense is going to be used for political purposes.

TNEC Queries Steel

54 companies receive questionnaires. Long hearings on industry will begin soon.

WASHINGTON (Business Week Bureau)—As the starting point in the Temporary National Economic Committee's appraisal of the economic effects of the steel industry's pricing policies, the Department of Justice and Federal Trade Commission have sent the first two of three questionnaires to 54 companies representing 90% of the country's total ingot capacity.

Information is asked for on prices, freight charges and extras, and the volume of shipments to consuming districts (including exports) of carbon steel products—sheet and tin plate bars, hot and cold rolled sheets, hot and cold rolled strip, plates, heavy shapes, tin plate, wire rods, plain wire. This selection not only represents large tonnage but will reflect the spread in prices between semi-finished and finished products.

The price data are to be based on

February invoices. This gives the steel companies ample notice, so that they can tabulate prices as steel is shipped during the month. Similar information will be requested later for a single month in 1937 and 1938.

The second questionnaire deals with the distribution of steel products in its relation to concentration of production, and asks for records for 1936, 1937, and 1938.

The basing-point system that for years has been subject to much loose criticism from Washington will be scrutinized for its effect on competitive conditions in the industry. Information is asked regarding basing points on which delivered prices (which include freight) are quoted; clearly the object of this query is to show the amount of freight a producer has absorbed to meet competition. TNEC's staff tacitly admits that under the multiple basing-point system in recent years, a type of competition has developed, and that it would be neither feasible nor desirable to dislodge it.

Lengthy hearings on steel are in prospect. No date has been fixed but they may be scheduled late in January, more than a month before the questionnaires on pricing policies are returned, as TNEC could use the intervening time to cover many other phases of the industry's structure and operation.

After Coster, Accounting Reform

On heels of McKesson & Robbins affair comes a renewed effort to improve corporate and accounting practices. May increase auditing expense.

F. DONALD COSTER, alias Philip Musica, will not go down in American financial history as a martyred reformer; but his misdeeds, as president of McKesson & Robbins, are bound to accelerate reforms in American corporate and accounting procedure.

The reforms will not be particularly new or sudden. For several years both the Securities and Exchange Commission and leaders in the accounting profession have recognized the need for standard-

ization of auditing procedure. But efforts to attain a general tightening up so far have been leisurely and tentative.

Now the Coster affair supplies the necessary spark. It is to general business and accounting what the Richard Whitney affair was to the New York Stock Exchange—the touch-off to reform. Thus, the Securities and Exchange Commission this week started an intensive investigation of Price, Waterhouse & Co.'s procedure in auditing the McKes-

son books in order to determine (1) whether present-day accounting is adequate to safeguard investors and (2) whether a more detailed examination of books and physical assets is necessary.

The SEC was not alone. The American Institute of Accountants, which has made periodic studies of accounting methods and issued many reports on proper practice, instituted an investigation for the profession to "determine what, if any, changes in procedure should be adopted by the profession in the light of the revelations in the McKesson & Robbins case."

Changes Suggested by Probes

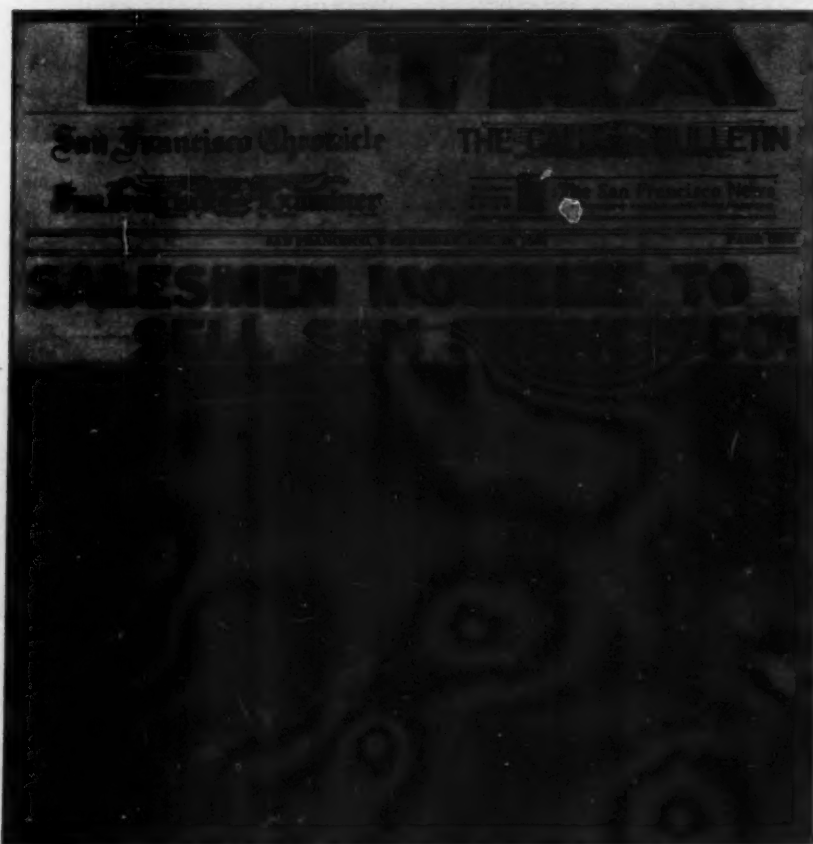
Out of the SEC and A.I.A. investigations will emerge two types of recommendations for: (1) more detailed audits, which will have the collateral effect of adding to the expense of corporation audits; (2) divorcement of the employer-employee relationship that now exists between corporation management and independent auditors.

Under current procedure, the executives of a corporation specify the extent of the annual audit to be made by accountants, and thus limit the expense. But that very right circumscribes the value of the audit, since the auditors cannot go behind or beyond the management's orders. In the McKesson affair, Price, Waterhouse & Co. had no authority to write to alleged agents to determine whether accounts receivable actually existed.

To meet that situation, the SEC might lay down a rule that no annual report may be certified unless auditors made a check of accounts receivable by writing directly to debtors. This, incidentally, was the recommendation of the American Institute of Accountants in its report on the "Examination of Financial Statements" in January, 1936. The institute said: "The best verification of accounts receivable is to communicate directly with the debtor regarding the existence of the debt."

Issue of Physical Checkup

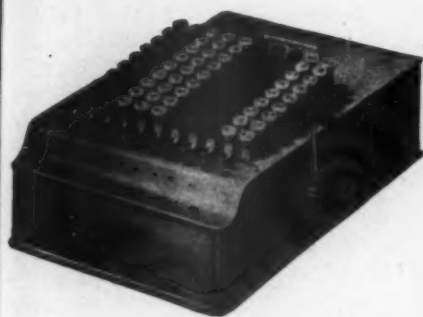
Similarly, the SEC might order accountants to make an actual physical examination of inventories. On this point, however, there is likely to be considerable pro and con arguing. The institute takes the position that for quantities, quality, and condition, the auditor "must rely principally for information upon the responsible officers and employees of the company." In cases where expert knowledge is not essential, the institute concedes that the auditor may assume greater responsibility; but on technical inventories, such as chemicals, auditors might feel called upon to hire experts or independent appraisers to assume the onus of a physical checkup. That also would increase auditing expenses (and auditors and business men raise the question whether it is worth the burden



At a rally Dec. 28, sponsored by the Sales Managers' Association and the local chamber of commerce, 7,000 salesmen for San Francisco firms were told to increase their business by promoting the "buy in San Francisco" idea among their customers and prospects. National firms with local sales offices participated. Speakers provided sales ammunition for the salesmen in the form of figures

on the city's industrial growth, and San Francisco's four newspapers got out a joint "extra" (top, above) for the event in the Civic Auditorium. The sponsors plan to follow up at intervals with further sales arguments which salesmen can use in making the rounds of the 11 western states. They believe they've discovered a valuable auxiliary to community advertising campaigns.

SWIFT & COMPANY: nation-wide users of COMPTOMETERS



MODEL J COMPTOMETER

BACK in 1907, the growing meat-packing firm of Swift & Company purchased its first Comptometer. Today, more than a thousand Comptometers handle the bulk of Swift & Company's voluminous figure work—not only at the general offices in Chicago, but at their 50 packing plants, more than 250 branches, and at dozens of dairy and poultry plants, refineries, oil mills and fertilizer plants scattered from coast to coast.

In many of these Swift & Company "outposts," a single Comptometer handles ALL the figure work involved. The amazing flexibility and adaptability of this machine make it ideal where one unit must meet all types of figure problems.

In the larger Swift & Company establishments, both Model J and Electrical Model K Comptometers are applied to such work as billing, payroll, costs, general accounting and statistics.

For a revealing demonstration of "Comptometer economy" in regard to your own problems, telephone your local Comptometer representative. Or write direct to Felt & Tarrant Mfg. Co., 1733 N. Paulina St., Chicago, Ill.

COMPTOMETER

Reg. U. S. Pat. Off.



Porterhouse steak—on the hoof. Ability to select fine beef-steers is the talent of this Swift & Company cattle buyer. Riding from pen to pen, he is always conscious of high Swift & Company standards. Here he bargains for a plump Hereford, destined for a sizzling platter.



The daily payroll of 4000 Swift & Company employees working on "standards" is figured by these operators. Each day's payroll must be ready for posting by noon of next day, and the work involves addition, multiplication, division and subtraction. Swift & Company has found Comptometers to be the most economical machine for this job.

While Historians Wait

ONE OF THE LONG-FOUGHT, important labor decisions yet to be finally decided is that involving Busch Kredit Jewelers of New York City and two C.I.O. unions, the Retail Employees and the Optical Workers. Picketing of the company's stores was halted by Justice S. A. Cotillo last spring, and his order was immediately attacked as violating the state's anti-injunction law. Expiring by limitation on Dec. 28, the injunction was off long enough for the pickets again to appear (right) and to invite the public to witness their orderliness.

Meanwhile, Justice Cotillo had been upheld by a 4-to-1 decision in the Appellate Division, the unions had taken their plea to the Court of Appeals, and the company had sought a renewal of the injunction. After listening to opposing attorneys and to a recorded transcription of a union broadcast in which Cotillo was inferentially blamed for a striker's suicide, the judge said he would reserve decision while mediation was discussed. Meanwhile, the pickets marched, supported by several A.F.L. unions, the local Civil Liberties Committee, and the International Juridical Association.



on all stockholders to catch "one crook in a thousand").

SEC probably will hesitate long before laying down specific rules to govern the scope of accounting examinations; no one procedure could fit all companies. A more flexible way of arriving at a corrective would be to impose on directors the responsibility of hiring auditors.

By shifting the responsibility for audits, the SEC may be able to accomplish two things in one act: tighten up on audits and tighten up on management. If directors select and hire the auditors, they will perform insist upon audits that are thorough and broad enough to present an accurate earnings statement and balance sheet of the business they direct.

States Tax "Foreign" Companies

Seek new revenue from out-of-state corporations. Court enjoins Iowa use tax. Kansas law and Wisconsin dividend tax are now in courts.

BUSINESSES DOING INTERSTATE COMMERCE are not only becoming increasingly subject to federal regulation but are jolted by the increasing effort of many state administrations to reach beyond their own boundaries, especially in tax matters. Three typical problems involving the extra-territorial jurisdiction of state courts are now being litigated.

In Kansas, Montgomery Ward & Co. has tangled up with the state income-tax unit on a question of fact and of jurisdiction. Ward's books are set up to show individual store profits first, without general company overhead and sales promotion costs. Later an allocation of such

costs, ranging from the president's salary through general advertising expense and departmental merchandising costs, is deducted to show the store's net profit.

Using hypothetical figures, assume that Ward's Kansas retail stores sold \$1,000,000 in a year. The merchandise cost \$750,000, leaving the gross merchandising margin \$250,000. Local expenses of \$150,000 reduce this to \$100,000 before out-of-state overhead. Allocate \$50,000 for this item, leaving a net profit of \$50,000. "All right," says Kansas' income tax unit, "now pay us income tax on the \$50,000."

"Wait a minute," argues the company

through its lawyers, economists, and accountants, sent to Topeka to be witnesses in this case, now at issue in the district court. "Local expenses were 75%, out-of-state expenses 25%. Take this ratio for a fair measure of management effort that produced the final net profit of \$50,000. Then 25% of this profit originated from company activity outside Kansas. Let us deduct 25% accordingly and pay income tax on \$37,500 net profit originated by us in your state."

Company officials say this method is necessary to forestall double taxation. "Part of the Kansas \$50,000 net profit came from what our New York buying office did," they pointed out. "If New York should try to tax profit arising from the use of property and the payment of salaries in the state of New York, this would tax our income arising from that office's activities. Then we would face paying two income taxes on the same income, in New York and in Kansas. Taxes legitimately based on our business in a state are all right, but we must fight any state's attempt to tax us on what we do outside its boundaries."

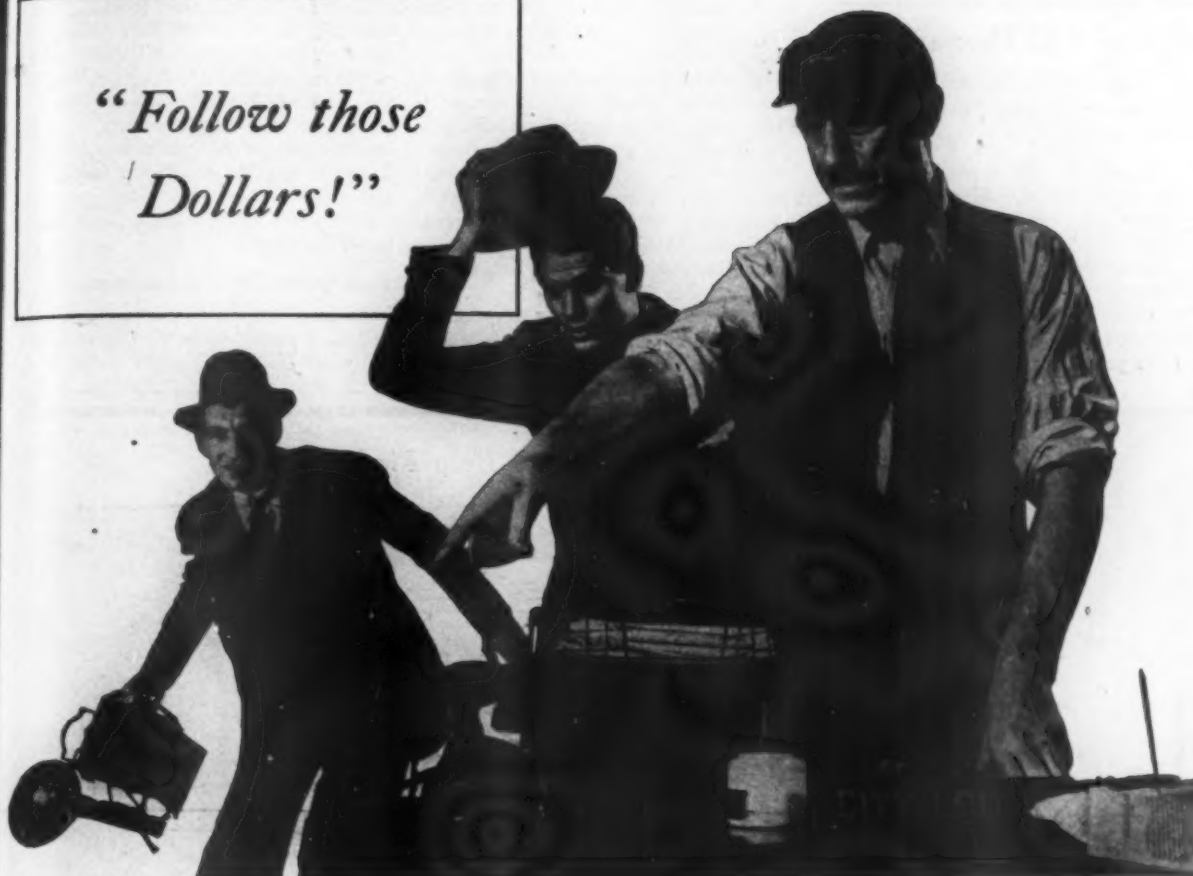
Companies Fight Tax Laws

Half a dozen states impose use taxes on residents' purchases brought into the state without paying sales tax (BW-April 37, p.48). Moreover, they place on a seller outside the state the burden of collecting the tax from his customers inside the state. They enforce this by putting penalties on local branches of an out-of-state firm. Such a law could be evaded by doing business in the state solely through a subsidiary corporation.

However, two companies have chosen to fight the law on principle, and have now won a permanent injunction in an Iowa district court, restraining enforcement of the Iowa law. The court decided the law is unconstitutional because it is an attempt to impose a state burden on interstate commerce, and because the tax-collecting requirement is regulation of the seller's business outside the state.

Wisconsin has a somewhat older law, designed to get a second crack at proceeds of profitable operations by out-of-state corporations. It provides that the company shall deduct 2½% from so much of its dividends as has been earned in Wisconsin, and remit this to the state's income tax unit. Practically every major foreign corporation operating in Wisconsin gets around this law by wording its dividend resolutions to provide that dividends shall be paid entirely from earnings outside Wisconsin. The law is now being litigated by a number of companies. If states originating half the profits of a typical chain store organization should adopt similar laws, and if the company should then use the dividend-limiting expedient described above, the stockholders would get very slight nourishment from their dividend checks—unless the courts overruled the laws.

*"Follow those
Dollars!"*



SUPPOSE a city editor gave his star reporter this assignment:

"Follow those dollars!

They're going to the Metropolitan Life Insurance Company in payment of premiums. There they will mingle with other dollars received by the company as income from its investments. Find out what happens to those dollars...what they go for...and why!" ...Here's what that reporter would find:

Payments to policyholders and beneficiaries. Part of each dollar helps to meet death claims that become payable during the year. But...the total amount of death claims in any one year is by no means entirely paid from dollars received during that year. A part of all death claims, and all matured endowments, and all cash paid upon surrender of policies, comes from "reserves."

In fact, about 70% of all payments made by Metropolitan to its policyholders and their beneficiaries during 1937 came from dollars received in earlier years and accumulated in the company's reserve funds.

Reserves. Just as part of all payments to policyholders comes from reserves, so part of each dollar received goes into reserves to meet future payments.

To make sure that all life insurance policies will be paid when they become due, sound company practice and the law require that a reserve fund be maintained.

A legal reserve life insurance company also carries a special contingency reserve or surplus fund...an additional guarantee that claims will be paid even in times of emergency, such as great epidemics or economic distress.

These funds—which eventually go back to policyholders—are invested at the best rate of interest that can be earned with safety.

Expenses and Taxes. Part of each dollar is spent for taxes and for running the company.

There is the compensation of the men and women who work in the Home Office and in the Field. There is the cost of carrying on the public welfare activities of the company, which tend to help people live longer.

And there is the expense required for careful supervision and wise investment of the money held by the company...for each and every insurance policy must be safe, come what may.

"Dividends." What is a life insurance dividend? In a mutual company such as Metropolitan, it is this:

After the premiums and interest from

investments have been credited...after payments to policyholders and beneficiaries and expenses have been met...after the reserves and margin of safety have been provided for...and the company finds that the money received exceeds the money that was actually needed, this difference is returned to the policyholders as dividends.

This is what happens to Metropolitan Life insurance dollars. No part of them is spent for any purpose...any activity...that is not in the interest of and for the benefit of the company's policyholders.

COPYRIGHT 1938—METROPOLITAN LIFE INSURANCE CO.

This is Number 9 in a series of advertisements designed to give the public a clearer understanding of how a life insurance company operates. Copies of preceding advertisements will be mailed upon request.

Metropolitan Life Insurance Company

(A MUTUAL COMPANY)

Frederick M. Ecker,
Chairman of the Board
Leroy A. Lincoln,
President

1 Madison Avenue, New York, N. Y.



Oil-less Oil Boom

Leasing stampede in north-west Missouri is based on scientific exploration.

OIL STAMPEDES usually start with explosive suddenness following the discovery of a producing well. But this ain't necessarily so in our day of scientific sub-surface exploration. Northwest Missouri is the center of a current scramble which commenced without any show of petroleum, which gets most of its stimulus from promising geologic formations.

Last summer, Trenton, in Grundy County, was wondering about a taciturn and mysterious stranger who went poking into wells and studying the faces of railroad cuts. Gossip was temporarily satisfied with the theory that he belonged to a gang building a public park at Trenton—until the gang moved away without him. When he was discovered messing around a quarry it was reported that he was a highway inspector checking on the amount of rock taken out. But when oil scouts descended on the district and began bidding for leases, the truth emerged.

The mysterious stranger was none

other than Marvin Lee, geologist, who with H. V. Elwell, Wichita, Kan., oil operator, had undertaken a detailed study of the region. There is no production in this section. But during the present gamble, several oil traces came to light, one a seepage of asphaltic tar near Cameron, another an oil seep near Chillicothe. The insignificance of these showings has not tempered the feverish demand for leases.

Enterprise Excites Farmers

Elwell is set to drill a test well near Milan, Sullivan County. Regardless of the result, he plans to drill in five other

Manufacturing Earthquakes to Help Find Oil



PRESSURE FOR FUEL to turn the wheels of America's 30,000,000 motor cars has stimulated scientific research to develop a prospecting technique more reliable than the chancy old-time method of "wildcatting." Lacking surface showings, ignorant of underground characteristics, the pioneer wildcatter set his rig and started drilling by hunches, by dreams, by antics of weird and varied mechanical "detectors" called doodlebugs.

Now science takes much of the guesswork out of prospecting for petroleum. The seismograph, recorder of earthquakes, has been adapted to underground exploration. Substrata are accurately charted by creating "artificial earthquakes" and measuring the vibrations that follow.

Holes are drilled and dynamite

charges are set off at the bottom, usually some 100 ft. below the surface. Vibrations from the explosions travel through the earth's soft surface until they hit a hard formation; thence they are reflected back to the surface where they are picked up by geophones; wires carry the vibrations to a nearby truck (which may be a mile from the dynamite blast) where delicate instruments record them on paper. From the length of time it takes the vibrations to travel from the explosion, down to the hard stratum and back to the recording instruments, the geophysicist can, by repeating the process, plot domes and faults hundreds of feet underground. From the shape of these he can judge whether the formation is favorable to oil deposits.

The process provides no actual proof

of the presence of oil, isn't worth much in unbroken or regular formations. Seismograph exploration would never have discovered the huge East Texas field which was brought in by blind wildcatting. But these and other scientific methods, along with increasing knowledge of underground geography, have greatly reduced hazards and costs of prospecting.

Numerous organizations specialize in this work. The pictures above illustrate the operations of a company headed by Herbert Hoover, Jr. From left to right they show: truck drilling hole for dynamite charge, plugging in geophones to pick up reflected vibrations, earth spurring from hole after the explosion of dynamite, technician examining the seismograph record of vibrations.

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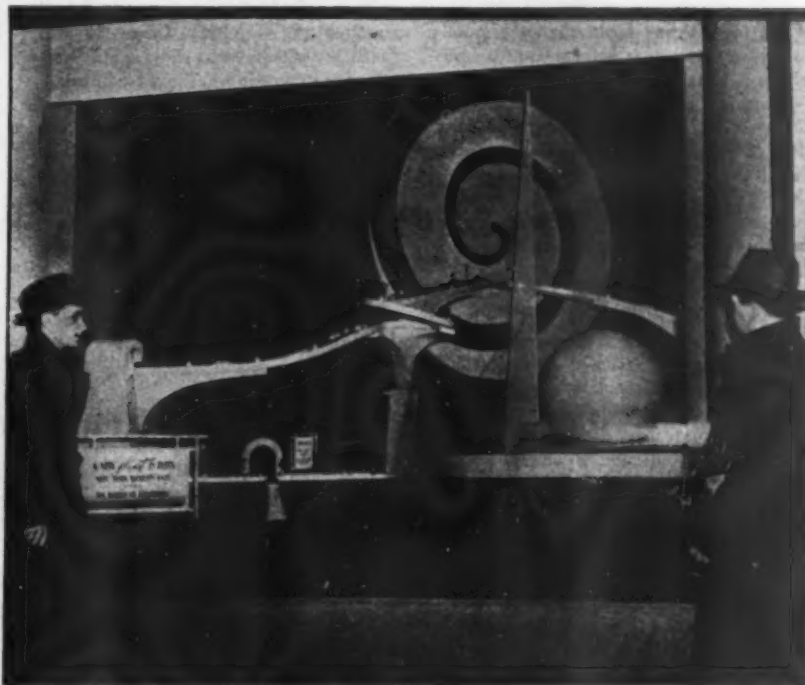
locations. This visual proof of wildcatting faith has greatly stimulated local interest. Farmers thereabout are all het up over the knowledge that over 1,400,000 acres have been taken up and they begin the new year with great expectations. Rentals run from 10 to 50¢ an acre. Local chambers of commerce are cooperating with oil companies in clarifying land titles.

Scientists, Amateurs on Job

The region being so assiduously prodded is known as the Forest City Basin. Activity centers on Milan. But the boom has infected neighboring counties of Kansas, Nebraska, and Iowa. Scientists are giving the formation a thorough third degree with core equipment, gravity instruments, and seismographs; amateurs are contributing to the excitement with home-made doodlebugs. About 200 crews are industriously exploring the area. Platte County, located northwest of Kansas City and southwest of the present boom, now marks the most northerly production of crude oil in this region.

If the whole thing flops there are going to be a lot of suffused faces among oil executives. As one major company official put it, "Maybe we're goofy to go in, but since the others have done it, we can't afford to stay out." In addition to the big independents and individual operators, part is being taken in the play by Shell, Gulf Oil, Carter Oil, Stanolind, Magnolia, and Ohio Oil. And if a strike is made, it will be one more triumph recorded by scientific search over the blind gropings of the old-fashioned wildcat.

As Santa Claus Moves Out—



—The New York World's Fair moves into 200 show windows along Manhattan's main shopping arteries, where they will be a more or less permanent fixture until the fair comes to an end—one, two, or three years hence, depending on the success of the big exposition which

opens April 30. The futuristic displays, many resembling that in Ovington's window (above), were officially dedicated last week by New York Mayor Fiorello La Guardia, Fair President Grover Whalen, and Capt. William J. Pedrick of the Fifth Avenue Association.

MARKETING

Puzzled by New U. S. Drug Rules

Many manufacturers of foods, drugs, and cosmetics are confused by federal regulations concerning labels, printed matter, and containers.

WASHINGTON (Business Week Bureau) —The greatest era of confusion ever faced by the food, drug, and cosmetic industries and their suppliers of labels, printed matter, and containers is in prospect during the next six months.

Primary cause is the promulgation by the Department of Agriculture of its long-awaited regulations governing enforcement of the new Federal Food, Drug, and Cosmetic Act, effective June 25, 1939. These regulations, made public Christmas Eve, constitute the go-ahead signal for thousands of label and con-

tainer changes which must be made to comply with the new law.

Hardly a food, drug, or cosmetic product, or a "device" subject to the act, will be able to go forth in its present dress without running afoul of one of Chief Inspector George P. Larrick's field men who will be on the lookout for violations. Consequently, new labels, new printed literature (defined as "labeling" in the law), new containers will be required in immense quantities.

Many manufacturers feel the new regulations are not much help in decid-

ing what they should put on their labels. The Food and Drug Administration has answered criticisms voiced at the public hearings held in November by throwing labeling problems into the laps of manufacturers and saying, in effect, "Figure it out for yourselves." The law itself is far from specific as to what shall appear on labels. It gives the FDA no authority to write specific regulations along this line.

Not all manufacturers and trade association men are excited by the situation. Many calm heads think the final regulations, on the whole, are better than the draft on which public hearings were held.

The most controversial provisions of the tentative regulations have been eased up. The first of these, under the tentative regulations, would have subjected products to a misbranding charge if there was a difference of expert opinion as to representations made on labels and if the labels failed to bear statements of the existence of this difference. This provision was changed to require difference-of-opinion statements only when representations are made which are contrary to the "material weight" of expert opinion.

Second and most highly controversial

provision would have compelled manufacturers to place on all panels of a package all information required by the law. Roars of protest greeted this proposal, and it has been changed merely to require as much information as possible on the front panel.

Manufacturers are left to decide for themselves what information to place on their front panels. Instead of stating definitely what must appear on labels, the regulations say merely that products may be considered misbranded if labels fail to carry certain information.

When Beauty Is Not Truth—

Heartbreaking as it may be, the regulations leave no doubt that manufacturers will have to discard beautiful and fancy labels in favor of those carrying the prosaic information required by law, such as quantity, directions for use, names of ingredients. Space heretofore given over to promotion, manufacturer's name, vignettes, and designs will have to make way for straight stuff.

Trick type is out, as are color combinations which render printed legends inconspicuous. Tiny labels on large bottles will not be accepted by FDA as an excuse that there is no space for information required by law. Labels will have to be enlarged even though they may cover all of once-beautiful bottles.

Containers themselves will come in for changes if they are of such shape as to deceive the consumer.

Unaccustomed to federal regulation, cosmetic and device manufacturers prob-

ably will suffer most from the new regulations. Drug and food manufacturers have worked with FDA for years and will be able to adjust themselves to the changes more quickly. Cosmetic manufacturers will have to show quantities on packages containing $\frac{1}{2}$ oz. or more.

Discussion of whether the new regulations have the force of law is academic. Their promulgation is provided for by the act, but for the present they simply represent FDA's view of what the law means as to the sections covered by the regulations. From the practical standpoint they represent the law until the courts overrule them on the ground that they are arbitrary or unreasonable—or until FDA changes its mind.

"New" Drugs Pour In

Manufacturers send many applications to federal bureau, under Copeland law.

WASHINGTON (Business Week Bureau)—The Food and Drug Administration is doing a land-office business in "new" drugs. Under the late Dr. Copeland's law, such drugs can't be shipped in interstate commerce unless and until they clear official scrutiny. Hundreds of products are affected because the law's definition of a "new" drug, as elaborated in the regulations, is very broad. Old, well-known products may become "new" by some change in ingredients or formula, in the solvent or excipient.

Applications pouring into the Food and Drug Administration range from ordinary laxatives to real innovations. In most instances the official staff knows from its own knowledge of the therapeutic effects if the product is safe for use according to the directions given; so applicants are informed that there is no reason why the Secretary of Agriculture should take steps to prevent marketing. The FDA also takes a stitch in time and advises the manufacturers how their labels may contravene the misbranding section of the law, although that doesn't become effective until next June.

Only a few products have been submitted about which nothing is known regarding therapeutic effects other than those claimed by the experimenters. In such cases FDA is going behind the statements submitted and running thorough tests. Foods and cosmetics for which therapeutic values are claimed will have to satisfy more than one chapter of the law. Applicants for clearance of new drugs have the right of appeal to a circuit court from adverse findings by FDA.

Model Roadside Law

Automobile Association fights to curb billboards and eating places.

WASHINGTON (Business Week Bureau)—Anticipating assembly of 44 state legislatures this year, the American Automobile Association this week put forward the draft of a uniform state act to control encroachment on the highways of billboards, eating places, and other roadside structures. Motor clubs will lobby for enactment of legislation along the lines suggested in the measure which has evolved from two years of study by the national organization and was approved at the A.A.A.'s recent annual convention. The principal provisions of the pattern law are as follows:

1. A protected area, extending for 1,000 feet from the center of the right-of-way on both sides of all state highways, would be established. Incorporated towns would not be affected unless they voluntarily submitted to jurisdiction of the act.

2. The protected area would be divided into two districts, commercial and non-commercial. No new business or industrial use could be made of property in the non-commercial district without permission of the state highway department or appropriate administrative body. This restriction would not apply in the commercial district.

Regulate Stands, Eating Places

3. On both sides of the road in both districts, a 50-foot strip would be set up within which no structures could be erected other than certain wayside stands which must be 25 feet from the road.

Sendoff for Savinsurance



Beginning this week, savings banks in New York State were empowered to sell life insurance policies. Some have already started to do so. Supporters of this "Brandeis idea," first tried out in Massachusetts, made a big pub-

licity occasion of the sale by Judge Edward A. Richards, president, East New York Savings Bank (left) of the first savinsurance policy to Gov. Herbert Lehman (center) as Lieut. Gov. Charles Poletti (right) looked on.

The stands would be limited to those selling goods made or produce raised on the premises. All billboards would have to be moved back of the 50-foot line.

4. The state administrative body would be given authority to make and enforce regulations on the appearance and sanitation of all roadside eating places.

Sunkist Revives Self

Co-op shows old spirit and California-Arizona citrus pact is restored.

NOW THAT THE California-Arizona citrus agreement has been restored and orange production of the two states is rolling to market under the pro-rate plan once more, officers of the California Fruit Growers Exchange (Sunkist) and pro-rate enthusiasts generally, are breathing normally again. At the same time, a kind of Moody-and-Sankey revival spirit seems to have struck members of the big southern California co-op and there's a definite resurgence of enthusiasm among the 504 cooperatives in the Golden State.

The five-year-old pact was kicked out suddenly Nov. 12 when non-Sunkist members of the control board, encouraged by growing criticism of the pro-rate scheme, voted what amounted to a suspension of the agreement (BW—Dec 3'38, p.30).

The board's action was only an outward sign of a trend evidently sensed by canny C. C. Teague, the short, stocky president of the California co-op, who, even before the collapse of the two-state pact, had planned a campaign by radio and newspaper advertising to resurrect "the original cooperative spirit which developed the Sunkist organization."

Pro-rate Upset Hits Complacency

When Sunkist was born, the California citrus industry was choking with surpluses and weak from the blood-letting of low prices. Group action brought better prices and Sunkist growers handled their problems so well that the organization was extolled by marketing specialists as a model cooperative.

Success brought complacency. The exchange had made a record in signing a large percentage of citrus growers as members. But there has always been a minority on the outside, critical of the exchange, and Sunkist never has taken much notice of their charges. Busy advertising oranges and lemons to the public, Sunkist hasn't applied its aggressive sales methods within grower ranks. Grumbling and fault-finding increased, based mostly on the co-op's size.

Recently, Sunkist officials have become increasingly aware of criticism within and without the membership. Mr. Teague rolled up his sleeves for a revival campaign, planned a series of radio talks to

Multilith

goes all the way

IN OFFICE DUPLICATING



The limitations on duplicating have been removed. *Unique* Multilith methods are capable of producing many money-saving jobs never before thought of as *office duplicating*.

Now, quality need not be sacrificed. The benefits of speed, convenience, and economy obtained when duplicating simple jobs, can now be extended to include jobs where high quality is of first importance.

Multilith "goes all the way"—turns out everyday duplicating jobs *plus* attractive, business-building literature with text matter in type, illustrations (photographs or wash drawings), handwriting, hand-lettering, and color work in accurate register.

May We Show You . . . a demonstration of Multilith's wider range of uses and higher quality of performance that effect greater savings? Consult principal city phone books for address of nearest MULTIGRAPH SALES AGENCY. Or write to the address below for more information and specimens of Multilith duplicating.

With MULTILITH

... a variety and quality never before possible on an office duplicating machine:

Letterheads
Invoices • Statements
Checks • Receipts
Ledger Sheets
Record and Report Cards
Letters • Notices
Bulletins • Circulars
Handbills • Posters
Reports • Instructions
Announcements
Leaflets • Folders
Booklets • Catalogs
Mailing and Reply Cards
Price Lists • Order Blanks
Display and Price Cards
House Magazines

ADDRESSOGRAPH-MULTIGRAPH CORPORATION

Cleveland, Ohio

ADDRESSOGRAPH-MULTIGRAPH OF CANADA, LTD., TORONTO

Sales Agencies in Principal Cities

growers. Early in November, Mr. Teague's thesis was dramatized for him by the collapse of the pro-rate, an out-and-out rebellion by non-members who believed they spoke for large numbers of members as well. In his radio talks he explained the motives and acts of the exchange, recalled "the good old days" when the Sunkist organization was young and the cooperative spirit ran high, and he pleaded for its revival. Grower sentiment crystallized rapidly and by the time the Teague series had ended, Dec. 22, the pro-rate board had hurriedly restored the California-Arizona agreement.

Press-Radio Squall

Internal row splits publishers' bureau, and networks stop carrying its news releases.

"THIS BULLETIN comes to you through the services of the Press Radio Bureau," is the familiar phrase that's been repeated on the regular daily news broadcasts coming over the National and Columbia broadcasting networks since Mar. 1, 1934. But on Dec. 23 when the regular broadcast came over CBS, the Press Radio Bureau credit was missing. On Dec. 24 NBC dropped it too. For a while everybody was mum about the reason, but this week rumors were getting around.

The Press Radio Bureau came into existence in March, 1934, after a series of negotiations between the networks and the newspaper publishers, who had been roused to a fine frenzy when CBS set up a regular news service of its own. The Press Radio Bureau served as a compromise between radio and the press on the knotty problem of whose right it was to furnish the nation with the news.

The American Newspaper Publishers Association established a Publishers National Radio Committee, which, in turn, set up the Bureau. Headed by Jim Barrett, former city editor of the old New York World, the Bureau got its news from the regular news services (United Press, Associated Press, International News Service) at little or no cost and sent it out to the networks, who paid the salaries and expenses of the Bureau. Other stations soon were added, and at one time the Bureau had 38 of these on its list—though the entrance of Transradio Press and later of the U.P. and I.N.S. into the field, selling news direct to radio stations, cut deep into the Bureau's market.

Root of the present dispute is said to be a disagreement between Barrett and the publishers' committee as to who owns the Bureau and who gets the profits—if any. This week, while the Bureau continued its service to local stations, the networks were apparently stringing along with the publishers, getting news from sources other than Barrett's bureau, pending some settlement of the issue.

PRODUCTION

Protecting Southern Pines

Pulp and paper industry develops a conservation program to ensure its future supply of raw materials. Problem is to get farmers in line.

THE MASS INVASION of the Southern pine belt by the pulp and paper industry provokes a chorus of direful warnings from forest protectionists. They parade the gruesome ghosts of timber areas massacred by hardboiled elements in the lumber industry years ago. They ask in accents disconsolate whether the Southern forests are now to suffer a like fate.

The answer is, "No." At a hearing of the joint Congressional committee on forestry held in Jacksonville, Fla., recently, William P. Good, executive secretary of the American Pulpwood Association, reported on what is perhaps the widest drive for timber conservation ever launched in this country by private business. It embraces not only the 3,300,000 acres of woods owned by the pulp mills but also the millions of acres in small holdings from which cuttings will be sold to the mills.

The plan seeks to concentrate on a few essentials which the least intellectual cracker or Negro farmer can understand.

Emphasis is on cutting of worn-out or defective trees for pulp, protection from fires, encouragement of seedlings, industry cooperation with state and federal forestry activities.

The driving force back of the campaign is neither a sentimental love for trees nor fear of conservationists' outcry. It is common sense. Southern forests have been ravaged by the sawmill (especially the portable sawmill) which thought only of cutting out and moving on. The pulp mill can't do that. It represents a large and permanent investment. Such plants cost from \$1,000,000 up. Total investment in the mills is over \$200,000,000. They are located to stay.

The drive for forest conservation in the South represents a large proportion of production in the territory. Executives began to talk seriously of future policies prior to the conservation convention called in the spring of 1937 at Washington by the National Lumber Manufacturers Association. Result was a meeting at New Orleans where the pulp and paper conservation scheme was roughly blocked out. There followed other meetings which formalized the set-up.

Formulate Regional Rules

At the head of the move is Maj. R. H. Spessard, of Richmond, Va., president of the American Pulpwood Association. The entire Southern forest area (from West Virginia downward and west as far as Texas) was divided into regional districts for policing purposes.

Final rules adopted vary slightly according to regional growths and conditions. Regulations for Group 1 (Virginia, West Virginia, North Carolina, and adjacent territories) are a fair sample. They include:

- (1) Absolute fire protection in cooperation with state and federal agencies;
- (2) cutting no trees under 8 in. in diameter a foot from the ground except to improve the stand;
- (3) leaving not less than four seed trees per acre;
- (4) utilizing all damaged trees and tops from sawtimber operations;
- (5) encourage governmental agencies to educate owners of non-company lands in cutting practice.

Nothing is said here about planting of young trees because in the South the parent pines can be depended on to rear

Biggest Display Space



—that's the claim made for this window in Sears, Roebuck & Co.'s store in Baltimore. Display space is 40 ft. high, 40 ft. wide, and 25 ft. deep, giving the effect of a stage.

That's this big charger level with altitude storms last week as the liner—

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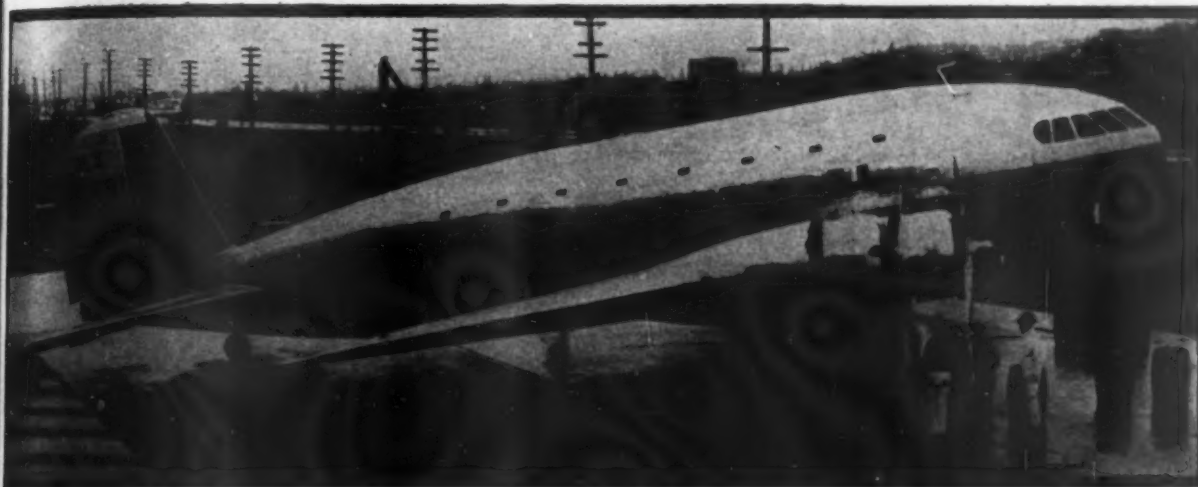
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Through the Sub-Stratosphere to Europe



That's where Pan American Airways hopes to take this big new Boeing plane, equipped with two superchargers to keep air pressure in the sealed cabin at the level which would be normal for flights at 12,000 ft. altitude, while the plane flies above North Atlantic storms at 20,000 ft. Ready for its test flights in Seattle last week, the new 33-passenger plane—officially known as the B-307, but already popularly christened "Stratoliner"—is Boeing's answer to the 40-passenger Douglas

DC-4, jointly developed by the manufacturer and the five big airlines—United, TWA, American, Eastern, and Pan American. Anxious to steal a march on the field, TWA joined with Pan American in pushing development work on the new Boeing, but now the manufacturer alleges that TWA has breached its contract to pay \$1,590,000 for six of the new 307's. Anyway, Pan American is going to take the three planes it ordered and try them out in European service next spring.

their own children. The great enemy of the program is fire. Accidental blazes are one hazard, deliberate firing another.

The extent of the fire danger in areas where long periods of intense heat make the forest floors highly inflammable is easily imagined. Big corporations and governmental agencies have begun correctives but an immense job lies ahead. Of the 561,000,000 forest acres in the United States, 175,000,000 lacked protection against fire in 1937. Of the unprotected area, 113,000,000 acres lie in the Southern pine belt.

Farmers' Cooperation Needed

The pulpwood industry has reduced to a terse formula its program of conservation. To what extent will it be observed?

Intelligent self-interest will work for strict enforcement among the companies on lands which they own. The big question is whether farmers and other land owners can be brought into line.

In the case of new contracts, a feasible plan has been inaugurated. The big mills will buy from farmers and other independent cutters on the understanding that they observe the association rules. Foresters and inspectors of the corporations will check to see that these are respected. Most difficult is the case of suppliers working under old contracts. With them it will be prayer, persuasion, and argument to show intelligent conservation will pay most in the long run.

This Oil Burner's Capacity Varies

Improved efficiency and lower costs are made possible for marine, industrial, and other users of new Todd oil-burning apparatus.

DURING THE TUGBOAT STRIKE in New York harbor a couple of months ago, when the captain of the *Queen Mary* made the headlines by docking his huge ship under her own power, a smaller ship, the *Eso Bayonne*, eased up the East Coast from the Gulf of Mexico and docked on the New Jersey shore in like manner without benefit of tugboat. Without extinguishing any of the brand-new Todd variable-capacity oil-burners under her boilers, the Standard Oil tanker rested at her dock overnight and then proceeded up the Hudson River to Kingston, N. Y., where she spent the night without extinguishing fires.

Upon her return to Jersey, the ship's engineers extinguished each of her six oil-burners in turn, only to discover the almost unbelievable fact that not a single burner tip had been carbonized during the two lay-overs. Even with oil-feed reduced almost to the vanishing point in two nights of practically no steam demand, combustion was so complete that carbonization did not occur.

To visualize the importance of such

oil-burner performance, not only to marine interests, but to owners of factories, buildings, hotels, and hospitals which burn oil for power and heat, it is necessary to review briefly one or two facts common to modern mechanical-pressure atomizing oil-burners. Practically all such burners are composed of two basic parts: a fuel oil atomizer and an air-controlling register. The atomizer does a double job: it breaks oil into small particles to present as much contact as possible to air for complete combustion; it projects the oil spray where air coming through the register can get at it.

Explaining Atomisation

For any given diameter of atomizer orifice, the range between high and low capacity limits is comparatively small, because the quantity of oil passing through it varies as the square root of the mechanical pressure forcing it through. For example, if an atomizer has a capacity of 400 lb. of oil per hour at 300 lb. per square inch pressure, it would require 1,200 lb. of pressure to

YOUR KEY TO
COMFORT



9th and WASHINGTON
\$25 OF ALL ROOMS \$2.50 OR LESS, SINGLE
\$5.00 OR LESS, DOUBLE

double the atomizer capacity to 800 lb. of oil per hour. On the other hand to reduce capacity to 200 lb., a reduction of one-half, the same atomizer would have to operate at 75 lb. per square inch, which is too low to produce requisite atomization. In current practice, this difficulty is overcome by using multiple burners on a boiler, and by cutting individual burners in or out of service to take care of substantial load changes.

With all such factors in mind, plus a desire to provide automatic adjustment of fuel supply to steam demand, the engineers of Todd Combustion Equipment, Inc., 601 W. 28th Street, New York, set out to design a variable-capacity atomizer which would operate at a constant pressure of 300 lb. per square inch to assure adequate atomization, while permitting the input of oil to ad-

just itself to the varying load demands.

Upshot is an atomizer which includes a more or less conventional tip and orifice to convert oil into droplets and to rotate them. Over the tip is fitted a cup-shaped disk, called an annulus, with an orifice drilled to match the atomizer orifice. The atomizer tip is connected to the oil inlet pipe. Surrounding the oil inlet pipe is still another pipe connected through drilled holes with the little chamber formed by the cup-shaped annulus and the atomizer tip.

As oil under pressure whirls out of the atomizer orifice, some of it flies off tangentially by centrifugal force and is caught by the annulus, only to be drained back into the supply tank via the pipe which surrounds the inlet pipe. If a valve on this drain pipe is entirely closed, the centrifugal force of the whirling oil with 300 lb. mechanical pressure behind it develops a back pressure of 140 lb. per square inch. The back pressure, strangely enough, does not interfere with the pressure or consequent velocity of oil passing straight through the atomizer orifice and the annulus orifice into the combustion chamber. Quality of atomization, and hence of combustion, remains practically constant.

Back Pressure Varied

In practice, a valve which controls back pressure holds it below 120 lb., at which point the maximum quantity of oil for a burner of given rating passes into the combustion chamber. With the valve opened to reduce back pressure to 60 lb., approximately half the maximum quantity of oil is burned per hour. With it reduced to 30 lb., one-fourth the maximum goes into combustion. Thus, instead of controlling the amount of oil to be burned for a given steam demand by varying inlet quantity or inlet pressure, the whole thing is controlled by varying back pressure on the drain.

Best part of it all is that the controls for back pressure and incoming air can be hooked up for full automatic control. When steam demands is up, fires will be burning at their maximum; when demand is diminished, fuel will be conserved proportionately. Combustion efficiency (the index of which is the CO_2 in the flue gases) shows a "constant CO_2 " between 14 and 13½% from approximately 175 lb. of oil per burner to a top rate of 1,300 lb. per hour per burner in an installation which uses five burners on a Babcock & Wilcox low head Stirling boiler under natural draft.

Though the new Todd variable-capacity burner came to market only two or three short months ago, there are already an office building installation, a medical research laboratory installation, a factory installation, and a number of marine installations. A large sugar interest in the Argentine has just cabled an order for 72 of the burners plus a raft of auxiliary equipment.

FINE BUSINESS PAPERS · FINE BUSINESS PAPERS · FINE BUSINESS PAPERS



No matter what your business, paper is an important "raw material."

It could not function without paper for its records—with no means to contact customers by mail.

Neenah's fine rag content business papers have been standard for important letterheads and business forms more than half a century. They are strong where strength is needed—permanent where long life is required—attractive in outward appearance. And their cost is little more than for the cheapest papers.

Write for the story of how Neenah's papers are made, and for samples. Ask your printer to use a Neenah paper.

Fine Rag Content Bonds, Ledgers, Index and Lightweights

MANUFACTURED BY NEENAH PAPER COMPANY, NEENAH, WIS.

FINE BUSINESS PAPERS · FINE BUSINESS PAPERS · FINE BUSINESS PAPERS

NEW PRODUCTS

Instalment Book

TO MAKE IT EASIER for its instalment purchasers to make their easy payments, the Underwood Elliott Fisher Co. has



adopted a new type of Instalment Coupon Book which has a return addressed envelope attached to each coupon, plus little sales messages about different products in its line. The book, which is manufactured and sold by the Wassell Organization, 342 Madison Ave., New York, speeds up the operation of any instalment plan.

Conveyor Counter

WHEN AN ORDER calls for a given number of units and the shipping-room conveyor is equipped with a new Pre-Determined Counting Device developed by Standard Conveyor Co., North St. Paul, Minn., the device can be set for the exact number, and the conveyor will stop automatically at the completion of the order. The counter, which is mechanical, may be connected electrically for remote control.

Low-Cost Conditioner

A COMFORT-AIR ROOM CONDITIONER, 11½ in. in diameter and 13 in. tall, will filter, humidify, and circulate 300 cu.ft. of air per minute. An electric fan and a small pump are its only moving parts. Its maker, Home Comfort Co., Harvey,



Ill., reports that it will add one to two quarts of water per hour to the atmosphere of a room while filtering out smoke, dust, and pollen.

"Inner Tubes" for Tanks

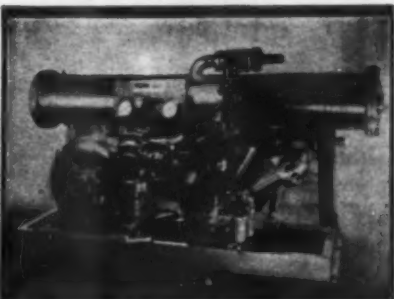
PATENTS COVERING Mareng Fuel Cells have been issued to Glenn L. Martin Co., Baltimore. Made of thin fabric, impreg-



nated with synthetic rubber, the cells may be described as inner tubes for airplane fuel tanks. The test cell shown here withstood without leaking 700 hours of a standard vibration test calculated to develop leaks in a tank in 50 hours.

New W-Type Compressor

DESIGNED TO OCCUPY little more space than a good-sized office desk, the new 6-cylinder York W-Type Compressor



will provide enough refrigeration to cool an entire office building, hotel, or department store. Its manufacturer, York Ice Machinery Corp., York, Pa., points out that its light weight and freedom from vibration make it available for installation on upper floors.

Rechargeable Hand Lamps

FOR WAYS THAT ARE DARK and devious, Mine Safety Appliances Co., Pittsburgh, is bringing out two powerful M.S.A. Special Hand Lamps with beam candle-powers of 12,000 and 25,000 respectively. Equipped with rechargeable Edison



TRADE FAIRS

NEW PRODUCTS... NEW PROFITS

Business executives who are on the lookout for new products to manufacture and sell—new materials to work with—and new time- and labor-saving equipment will find a trip to the Leipzig Trade Fairs this Spring extremely profitable.

Here at Leipzig in less than one week's time, you cover the merchandise exhibits of some 6,500 firms, and the engineering and technical displays of another 3,300 exhibitors. Your particular lines are completely covered by all the important manufacturers of the world. Some 34 nations are represented among the exhibitors.

Advance indications already point to an attendance of more than 305,000 business executives and buyers from 72 countries—at the coming Spring Fair: in Leipzig, Germany, opening March 5th. The great majority of these executives have attended the Fairs in Leipzig before—a tribute to the benefits and competitive advantages to be gained by regular attendance.

Every "top-flight" business executive should get the full details on these important, semi-annual International Trade Fairs. Write on your business or professional letterhead for Booklet No. 55 describing in detail the Merchandise Fairs—or for Booklet No. 56 covering the Technical Fairs. Our New York Office—or an Honorary Representative near you—will be glad to help you determine what these Fairs offer your business. There is no obligation. Write today. Leipzig Trade Fair, Inc., 10 East 40th Street, New York.

General Merchandise Fairs
March 5th to 10th

Great Engineering and Building Fairs
March 5th to 13th

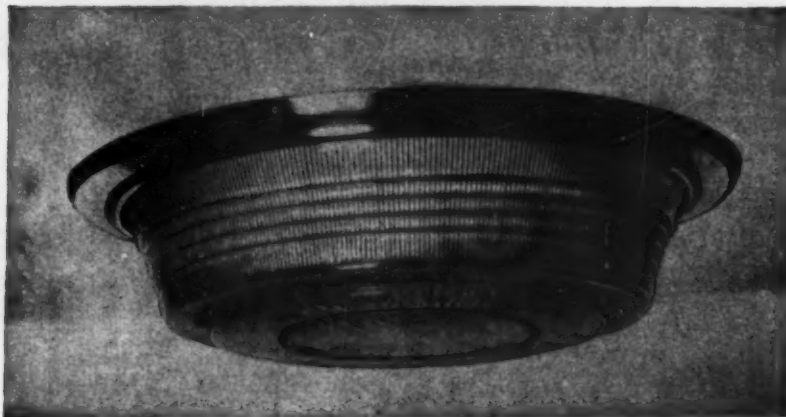
WRITE FOR THESE BOOKLETS



FOR 700 YEARS THE
WORLD'S MARKET PLACE

CORRECTALITE

A PRODUCT OF HOLOPHANE RESEARCH



stops lighting "leaks"

Many commercial lighting systems are extravagant because wasted light "leaks" into non-profit areas.

CORRECTALITE stops these "leaks"—

1. CORRECTALITE controls light. It takes light that would ordinarily be wasted on walls and ceiling and converts it into "down light"—directs it to utility areas. Only sufficient light is directed upward and outward to give a pleasing illumination to the entire interior.
2. The light-controlling surfaces of CORRECTALITE are completely enclosed. They are protected from dust and permanent depreciation.
3. CORRECTALITE is made by Holophane—the result of 40 years experience in controlling light to serve industry and art.

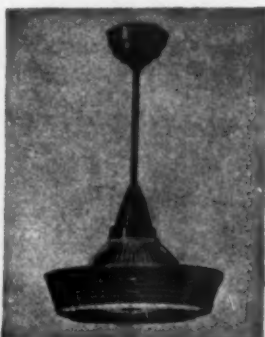
The complete lighting unit is one of distinguished appearance. It is especially styled to harmonize with modern interiors.

FREE: Write today for detailed information on how CORRECTALITE will stop the "leaks" in your lighting system. Address:

HOLOPHANE

342 Madison Avenue, New York, N. Y.

The Holophane Company, Ltd., 385 Yonge St., Toronto, Canada.

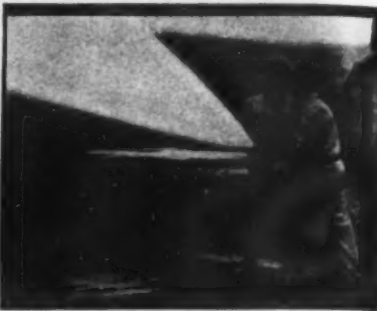


CORRECTALITE is furnished with suspension type fixture (at left), ceiling type fixture (at right), or may be installed "in-blt" as shown at top of this advertisement. In all types, the removable bottom cup makes relamping easy.

nickel-iron-alkaline storage batteries with an estimated life of 6,000 hours, they promise to provide 6 hours of light per charge.

Shock-Proof Nozzle

THE INTERNAL DESIGN of the new Poweron Nozzle for general fire-fighting causes water to spray in large volume, but in discontinuous drops. Since each



drop is surrounded by air, whose dielectric strength is great, the nozzle's stream will not conduct electricity. American-LaFrance-Foamite Corp., Elmira, N. Y., its maker, reports that the Underwriters' Laboratories have approved its use on Class A, B, and C fires and on equipment carrying current at voltages as high as 250,000.

"Chinex"

NEWEST DEVELOPMENT of Corning Glass Works, Corning, N. Y., is a line of Chinex Dinnerware which looks like ivory-tinted china in a raised design, but is actually tough non-porous glass.

Storm Door

WHEN WINTER'S WINDS blow cold and a storm door is indicated, leave the screen door in place and tack on a Sisalkraft Storm Door. Made by Central States Paper & Bag Co., 2600 N. Broadway, St. Louis, Mo., the door consists of two sheets of reinforced waterproof paper ce-



mented together with an asphalt composition. The inbuilt Monsanto Plastic window is supplied by Monsanto Chemical Co., St. Louis.

LABOR AND MANAGEMENT

Facts on Banks and Employees

As a part of public relations program of American banks, Financial Advertisers Association makes a survey—and turns up interesting data.

WHAT SEVERAL TRADE ASSOCIATIONS have thought of doing but few have attempted, and what most of the entrepreneurs in modern public relations say must be done as a first step, has just been accomplished for banks. Following the theory that good employee relations are a large part of good public relations (attested by BUSINESS WEEK's special report on this subject, Oct. 1, 1938), the Financial Advertisers Association decided last spring to try to find out just what the condition of bank employee relations was. Under the direction of Dale Brown, of the National City Bank of Cleveland, the survey has just been completed.

A thorough-going questionnaire was first approved by the association's board of trustees and by a picked group of bankers. Confidential answers then were sought from 350 banks, scattered geographically and including not only the hundred biggest banks but wide representation for every size. Of the total, 50 were savings banks. Replies to the questionnaire were received from 242 banks, or 70% of those on the mailing list, and those replying employ 257,729 men and women.

Favor Employee Education

Summarizing the answers, this is the picture of bank personnel practices:

1. The banks are strong for employee education. Nearly all of those replying use the American Institute of Banking courses and encourage employees to study outside; most of them pay all or a part of the cost of the class work.

2. Customer Relations, as a specialized service, gets regular attention from 100 of 231 banks which answered this question.

3. Up-to-date records of the employee's progress, attendance, punctuality, etc., are kept by three out of every four banks. The larger the bank, the more certain it is that it keeps such records.

4. Of 240 answers, 203 indicate regular or occasional meetings of officers and employees to discuss common problems.

5. Only a minority of the banks (59 out of 240) supply manuals to employees, covering bank history, departmental functions, various duties, etc. Eight of the replies indicated that such manuals were planned.

6. The banks don't like the policy of

giving cash awards to employees for production of new business. The survey shows that 3% banks do this, but that at least 65 others tried and discarded it.

7. The great majority of banks (238 to 4) make promotions from the ranks

and use outside specialists only occasionally.

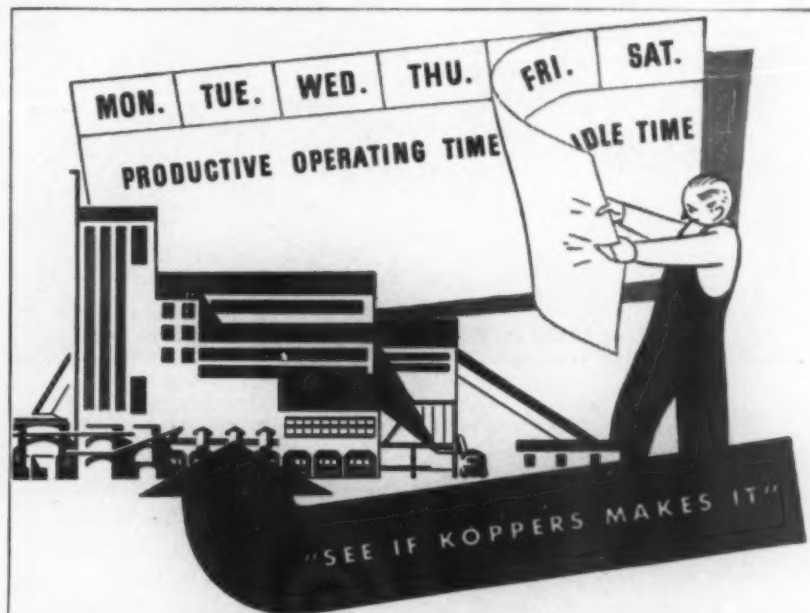
8. Employee bonuses are unpopular. Some two-thirds of the banks which have tried them have abandoned the practice. About one out of six banks uses a bonus plan of some sort at present.

9. Average vacation period for bank officers is four weeks; for all other employees the average is two weeks, with full pay.

10. There is a lack of uniformity in plans for sick-leave pay, but 136 of 230 answering this question said they had a regular policy.

11. Cafeterias are maintained by 5% of the 242 banks, and most of these are operated at a loss. Twenty-three banks—all large Eastern commercial or savings banks—furnish free noon meals to employees.

12. Not quite half of the banks re-



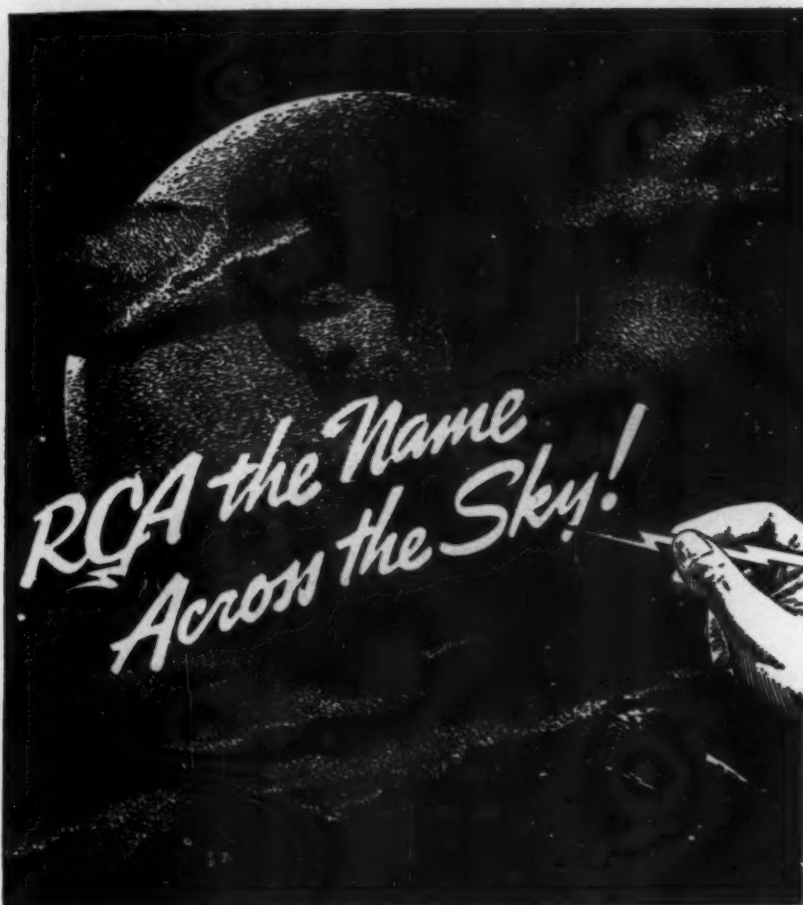
In 1935, a large coal company installed a Koppers-Rheolaveur Coal Preparation Plant. In the seven preceding years, this mining property had never topped a million tons a year production. With the addition of the Koppers-Rheolaveur Plant, the production exceeded a million tons the first year, went 35% over that in the next two years and went into its fourth year of operation at an even higher rate.

Koppers-Rheolaveur cleaning of the coal provided a quality product which opened wider and more profitable markets. This boosted productive operating time and meant more profits.

KOPPERS COMPANY • PITTSBURGH

BOILER AND POWER PLANTS • CASTINGS • COAL AND COKE • COAL CLEANING PLANTS
• COKE AND GAS PLANTS • CREOSOTE • DEHYDRATION PLANTS • D-H-S BRONZE • FAST'S
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SEWAGE DISPOSAL EQUIPMENT • SHIPS AND BARGES • ROOFING • TARMAC ROAD TARS
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K O P P E R S
THE INDUSTRY THAT SERVES ALL INDUSTRY



RCA...the name symbolizing creation, progress, achievement in radio! RCA...Radio Corporation of America...a family of doers writing history with sound in the sky!

Makers of instruments for radio transmission and reception of sound, code messages and facsimile reproduction. Makers of instruments for the recording of sound on records and on motion picture film. Creators of countless radio devices vital to science, industry, medicine, telephony, and public safety.

RCA...creator of a nationwide broadcasting service, The National Broadcasting Co.

RCA...creator of a worldwide radio communications system with direct circuits between the United States and 43 foreign countries, and with ships at sea...a message service with the speed of lightning.

RCA...pioneer in research in radio, sound and television.

Radio Corporation of America...truly American, owned by a quarter of a million stockholders in 48 states.

RCA...19 years a name across the sky...19 years of service to all the world.

Listen to the "MAGIC KEY" every Sunday, 2 to 3 P.M., E.S.T., on the NBC Blue Network



Radio Corporation of America

RADIO CITY, N. Y.

RCA Manufacturing Co., Inc. R.C.A. Communications, Inc.
National Broadcasting Company
RCA Institutes, Inc. Radiomarine Corporation of America

ported that they had employees' associations or clubs, and of these about three out of four are supported partly or wholly by the bank. Only three banks reported that these clubs are affiliated with unions.

13. Of 232 answering banks, 26 operate medical departments for the employees. A full-time nurse and a part-time doctor usually are employed.

14. Pension plans for employees are used by 59 of the 242 banks, and of these 31 banks administer their own plans and 26 have insurance-company administration. Employees contribute to about half the plans.

15. Group life insurance is in general use. About half the banks pay all the cost of such insurance; the others pay part of the cost and have employees contribute part.

16. Employee activity in athletics, picnics, dances, entertainments, etc., is encouraged by most of the banks replying to the questionnaire.

Watch Oil Strike

Tieup at Mid-Continent's Tulsa refinery is ascribed to older workers' discontent.

LABOR AND MANAGEMENT in the oil industry, comparatively good friends during the past three years of not-so-friendly relations elsewhere, were keeping a close watch on Tulsa, Okla., this week. In and around that city, industrial relations during the next few weeks probably will be a tipoff to the oil business' personnel picture of 1939.

The industry had been relatively free of labor troubles in the southwest fields until last Dec. 22, when members of the Oil Workers International Union (C.I.O.) struck the 30,000-bbl. refinery in West Tulsa operated by Mid-Continent Petroleum Corp. Several hundred workers stayed on the job, however, and some 48 hours later Gov. E. W. Marland (who was succeeded this week by Leon C. Phillips) sent the national guard into the area to keep order.

Older Men's Grievance

Outcome at Mid-Continent is expected to be a reasonable adjustment of the grievances expressed by the strikers' committee. BUSINESS WEEK observers in the area, however, find considerable dissatisfaction among workers of 15 to 20 years' experience, which indicates a problem ahead for industrial relations departments and supervisory executives. Briefly, the complaint of some of the workers is that younger men, who have come in since refining was a comparatively simple mechanical operation, have gone ahead of the men longer in service. Despite the possibility that the older men may be somewhat to blame because they didn't learn the highly technical,

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chemically complicated modern processes as the younger men did, they have now a sense of "injustice."

Labor relations in the industry have been fairly smooth and probably will continue to be, inasmuch as the operators and union leaders are pretty level-headed, wherever they are found. A number of A.F.L. unions, such as machinist, electricians, pipe fitters, etc., maintain contracts with the employers. In the Mid-Continent plant at Tulsa, as in several other places, the C.I.O. and A.F.L. unions have a joint committee to handle grievances.

C.I.O. Union's Membership Up

The C.I.O. union is one which prefers to organize and negotiate labor contracts without "circus atmosphere" if possible, and with the exception of its 1937 pep-raising convention (*BW—Apr 10 '37, p18*) at Houston, Tex., it hasn't been in the national news. Its present membership of about 100,000 represents a 30% increase since that time. The president of the union, Harvey C. Fremming, is a hard worker for good public relations and is known for his good taste in dress, manners, and bearing.

Sole enigma in the southwestern situation is the public mind. Generally, observers feel that the average citizen is "fed up" with labor trouble, and that this satiety may work against the unions' desire to enlarge their sphere of influence. In Tulsa, the feeling is that the Mid-Continent strike was ill-timed (it came when petroleum demand was at low ebb and uncertainty about federal control was at a peak), and that the workers "didn't know their own minds" on the subject of grievances.

LABOR ANGLES

"Biggest" Case Gets Bigger

THE SUPREME COURT has added one more chapter to the long, involved story of Ford Motor Co.'s fight with the United Automobile Workers and removed one obstacle to eventual settlement. When the court this week approved the National Labor Relations Board action of last spring in withdrawing its cease-and-desist order against Ford, it left only two questions to be answered: Will the board again find Ford unfair to the United Automobile Workers—and will the Supreme Court uphold such an order? Getting the answers will take some time, and it is likely the Ford case will at length contain more words, cost more money, and take more time than any other.

Move Over, John Lewis

THE C.I.O., whose leaders have contended for some time that communism was a minor menace not only to industrial



ASK the man who doesn't have one!

THE pre-Christmas period to many a shipping clerk is just the saddest season of the year. His days are one package after another—all of them "Rush." His nights are spent in catching up with his days. And he has no more home life than the Foreign Legion.

If you want to find out the real worth of the Postage Meter in a shipping room during the peak month of parcel post shipments—ask the man who doesn't have one!

The Postage Meter takes up the overload, cuts down the mailing time, keeps the parcel mail moving, spares the men who send it. Because the Postage Meter prints postage and postmarks on a gummed tape, delivered wet or dry. The postmark shows the date of shipment.

And in the shipping room that has an "Omni"—the latest Pitney Bowes product—there's never a

stamp shortage. The Meter holds up to \$10,000 in postage. A simple shift of a lever prints any denomination needed in a single stamp—from 1¢ to \$10.00.

There's no time spent in separating stamps, checking denominations, counting stamps. No stamps get lost or stolen; the postage is all in the Meter, set and sealed by the postoffice. Tamperproof, theftproof.

And when not needed for parcel post, the "Omni" stamps, seals and stacks your regular mail.

Why wait until next Christmas to see what the Postage Meter can do for your shipping department or mail room? There are Postage Meter models for every mailing requirement, large or small. Get a demonstration now—on your own mail and parcel post shipments. Just call, or write to the nearest Postage Meter Co. office.



THE POSTAGE METER CO.

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PITNEY BOWES

Branches in all principal cities. Consult your telephone directory

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**FROM
POLE TO POLE
AND TWICE
AROUND**

**[MORE THAN 100 MILLION
SQUARE FEET]**



See how Kreolite fits your picture. Send for Kreolite News or detailed information. Branches in all principal cities.

More than 60,000 miles of Kreolite Wood Blocks.. over 100,000,000 square feet.. have been accepted by American industry as the finest factory flooring that money can buy.

Tough, resilient, dustless and durable, Kreolite Wood Block Floors eliminate costly floor failures, supporting uninterrupted production in every line of business. They are warm and comfortable for the men who must live, while they work, with the floor you build them.

Guard your factory investment with the proven floor of industrial America... Demand Kreolite.

FLOORS

WOOD BLOCK

unionism but to the A.F.L., greeted 1939 with smiles of good fellowship. The A.F.L. was vigorously denying that its Federation of Teachers was dominated by the Communist Party—as charged by three New York members who had resigned.

We Said Move Over!

TWICE AT THE CLOSE of the year, business management got reports that unions in the New York City area had acquired a long-feared device: the checkoff. First it was the C.I.O. which got a department store to deduct union dues from wages (*BW—Dec10'38,p32*); last week the A.F.L. was the associate beneficiary of a similar arrangement between three locals of the International Brotherhood of Electrical Workers, and their employer, Consolidated Edison's gas division.

Inventory Time

RAOUL E. DESVERNINE, president of Crucible Steel Co., put the season's greetings and a pertinent suggestion for self-analysis into the same message to employees last week. Addressing the shop family through the monthly employee-magazine, *Crucible News*, the president states the theory of profit-making simply, reminds his workers that "men make conditions, conditions don't make men," and advises self-building of courage and integrity by each individual.

Another "Level Work" Plan

AN IMPORTANT CHRISTMAS present came to 3,600 employees of Spiegel, Inc., Chicago mail-order house—a guarantee that henceforth there would be level pay for everybody, 52 weeks during 1939. The plan is something like Nunn-Bush's, Hormel's, and General Motors' (*BW—Dec17'38,p21*); it is based on expectations of 40 hours a week for men and 36 hours for women, but if the working hours fall, the employee draws some pay for which he later has to make up the time. If he works 30 hours in a slack week, for example, he is paid for 40, but he owes the company 10 hours of work. If he owes time at the end of the year, or when he is discharged, the debt is canceled. Spiegel has budgeted the plan for a full year, and hopes to make it permanent.

Hillman in High

THE HILLMAN-GORMAN STRUGGLE for textile labor leadership (*BW—Dec24'38,p28*) is having little if any effect on the Textile Workers Organizing Committee's progress, to judge by latest union news: three NLRB victories for T.W.O.C. and the signing of agreements with 21 firms employing some 600 workers. In addition to contracts with 15 New York City bias binding companies and three silk mills in Paterson, N. J., the union has come to terms with two other manufacturers in the New York area, and one in Philadelphia.

MONEY AND THE MARKETS

FINANCE · SECURITIES · COMMODITIES

Mildly Bullish on F.D.R.'s Talk

Financial community shows restrained optimism over President's message. Hopes no strings are attached. Most markets point upward.

INITIAL REACTION of the financial community to the President's message was healthfully restrained optimism. There might have been more enthusiasm if it were not clear that the Administration's program remains to be unfolded in detail, if it were not for the fact that Congress is at best unpredictable.

So far as the President went, his delineation of "the state of the nation" was almost wholly reassuring to business and, as a corollary, to the financial markets. Here are some of the reasons why his remarks, if taken at their full face value, are constructive:

1—He wants to raise the national income to 80 billion dollars a year; if this can be done (and Mr. Roosevelt predicts this can be done in the not distant future) the federal expenditures, at their present levels, can be balanced by revenues without additional taxation.

2—He admits that, on the basis of past experience, no contraction of the present vast credit base would be plausible for a good while.

3—He holds with the school which contends that government expenditures

must be maintained until recovery gains a good bit more momentum.

4—He implies that his social reform goals have been largely achieved, and that this Congress should consider only improvement in existing laws.

5—He recommends a vast armament program (which, though wasteful in an economic sense, promises to cushion any abrupt cut in the government's various extraordinary expenditures).

6—He advocates no major legislation excepting his familiar executive reorganization program and a recommendation for refurbishing railroad finances.

Traders Eye F.D.R.'s Aims

The reason the market didn't move up more rapidly this week is that traders will keep one foot on first base until they have more specific knowledge of the aims of the man in the White House and the temper of the men on Capitol Hill. They see the possibilities of more social reforms in the armament program—for example, wider application of the wage-and-hour standards of the Walsh-Healey Act through letting federal con-

tracts in the mobilization of industry to prepare for national defense.

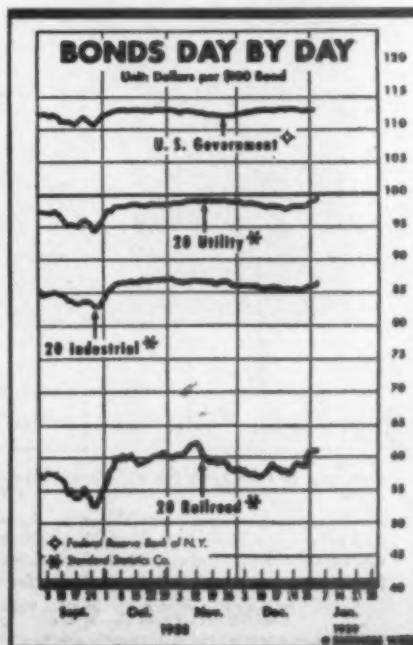
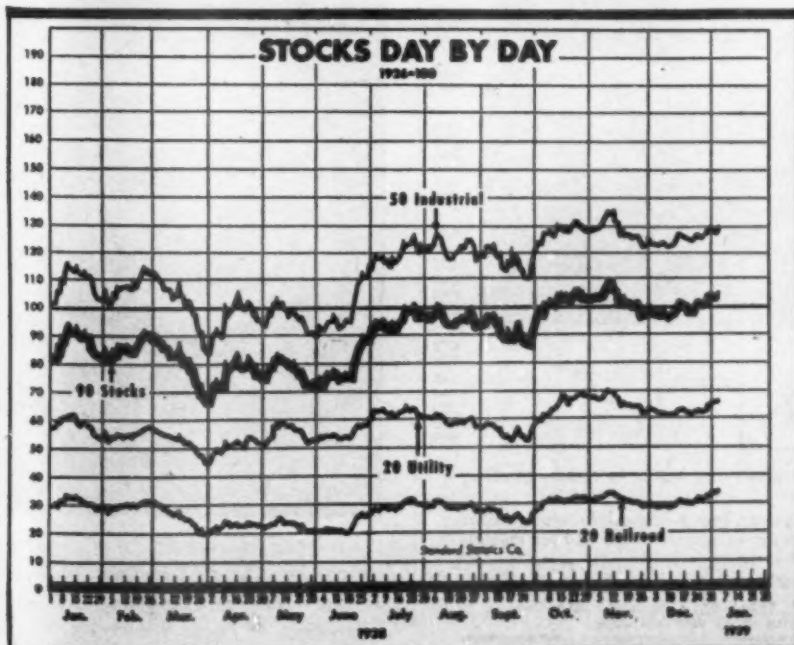
Yet the path to a much greater degree of peace between Washington and business also is to be seen in the defense program, as *BUSINESS WEEK* pointed out on Nov. 19 (pp47-8). It is as true now as then that "if the New Dealers want substantial recovery—and it would help them a lot, come 1940—they can go a long way toward achieving it by side-tracking their remaining squabbles with industry on the grounds of national defense."

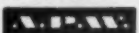
Learning by Experience

It is equally cogent to repeat the observations in the same article to the effect that the government's credit manipulators tried putting on the brakes late in 1936 and early in 1937; that credit-conscious Administration men took warning from the result; that "the lesson having been forcibly brought home, there are few who believe the experiment will be repeated by an Administration which would approach the 1940 Presidential election immensely fortified if there were a business boom."

The basis for business improvement, as the new year gets under way, seems solid enough. Steel operations have recovered to above 50% following the holidays. Electric power production promises to break all records this year, on the basis of its present record level and the prospect of business expansion. Orders for zinc and lead are exceeding expectations despite holiday interruptions. There has been a slight improvement in the copper market; producers hope the present 11½¢ price can be maintained as the period of seasonal expansion in consumption begins to make itself felt.

There has been a sufficient improve-



**Reduce "WASHROOM
INFECTION"**
Install 
Onliwon Towels and Tissue
Write A. P. W. Service, Albany, N. Y.

ment in grain prices to indicate that farm income recovery is in sight. Profit-taking in wheat held the price of that cereal in check after the initial spurt early this week, but quotations on the Chicago Board of Trade are up about 10¢ a bu. from the low. Weather continues detrimental to the main winter

wheat crop, and, with more than 50,000,000 bu. of the old crop pledged for government loans, the market has been more responsive of late.

The touchy character of the international situation was demonstrated once more at the start of this week when the British pound dipped almost to \$4.62, but the subsequent rally helped sentiment somewhat.

THIS BOOK GIVES YOU 68 Pages of the Latest Facts On Movable Steel Partitions

It contains complete details, illustrations and specifications for use in new partition installations and in the remodeling of offices, factories, schools, hospitals and other institutions. It includes all accessories such as wainscoting, window and radiator enclosures, counters, rollings, built-in bookcases, medicine cabinets, wickets, grilles, hardware and finishes.

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Branch Offices, Sales Representatives, Engineering and Erection Service, Coast to Coast

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PIONEERS OF STRAIGHT GAS POWER SINCE 1919



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One way to help span the difference between profit and loss is to reduce handling costs.

For handling packages—any shape or size—light or heavy—moved faster, smoother and safer—it's Towmotors. Through small doorways, or narrow aisles. 24-hour uninterrupted service in plants, mills, docks and warehouses.

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Offices in 29 principal cities.

Big Utility Trims Self

North American Co. simplifies, to obey law. Plans \$105,000,000 refunding.

IT ISN'T EXACTLY EASY to perceive the financial simplification and geographical integration (dictated by the holding company law's "death sentence") of a big public utility system. Yet anybody who wants to do some digging will find that North American Co. is making substantial progress.

Latest step, and the most important to date, came in the announcement at the start of the new year that the company has asked the Securities and Exchange Commission's approval for a refunding program which will permit elimination of the largest of the system's intermediate holding companies, the North American Edison Co. This involves sale of about \$80,000,000 of securities of the parent North American Co. to pay off debentures and preferred stock of North American Edison. Inasmuch as the parent company already owns all

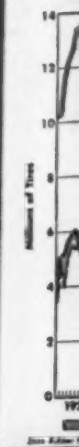
New Chairman



Appointed chairman and reserve agent for the Philadelphia Federal Reserve Bank is Thomas B. McCabe, president of Scott Paper Co.

Business

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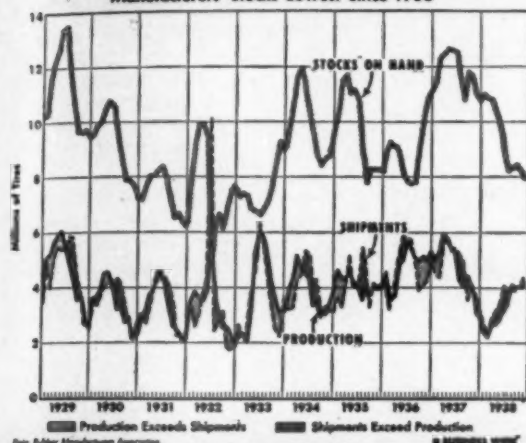
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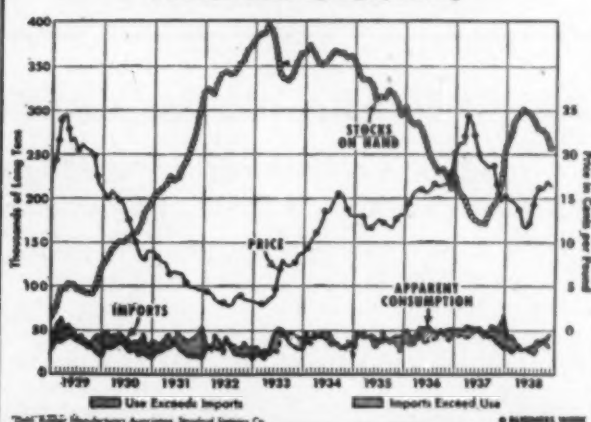
TIRE SALES AT 15-MONTH HIGH

Manufacturers' Stocks Lowest Since 1936



USE OF RUBBER IN U. S. JUMPS

Warehouse Stocks Dip as Imports Log



of North American Edison's common, it would then absorb the subsidiary.

North American Edison now controls three of North American's major groups of properties—those in Ohio, in Wisconsin, and in Missouri-Illinois-Iowa. On completion of the present operation, these would emerge as three pretty completely integrated operating groups, directly controlled by North American without intermediate holding companies. The fourth property, Washington Railway & Electric, already is controlled directly by North American.

The middle of last year, the Wisconsin properties were simplified by consolidation of Milwaukee Electric and Wisconsin Electric Power, and as early as 1937, Union Electric of Missouri eliminated 14 of its subsidiaries. The present program involves about \$25,000,000 refunding for North American on its own account, a total of \$105,000,000.

FINANCIAL ANGLES

For Reform in Sugar

THE REFINED SUGAR MARKET recently has been in the grip of a seasonal lull. Meanwhile major companies have undertaken once more to combat some of the selling practices which frequently lead to cut-throat, profit-nullifying competition. Most important step has been elimination by eastern companies of price guaranty—the system by which the buyer is protected against a decline in price until the date when he takes delivery on forward contracts.

"Very Happy"

PRESIDENT ROOSEVELT started Congress off on a suggestive footing when he proclaimed a \$6,500,000 bounty for silver producers last week. By extending the Treasury's silver purchase program for

another six months, the President committed the government to buy approximately 30,000,000 oz. @ 64½¢ an oz. That's 21½¢ above the going market price of 43¢, so that when the bill is footed on the government's ledgers, it comes to \$6,500,000 under the usual heading of "doing something for silver." On learning of the President's announcement, Sen. Key Pittman, of Nevada, said he was "very happy." Silver producers had been fearful that a cut in the government's buying price, such as that a year ago, was in the cards.

Gold Reserve Act

THE SILVER PURCHASE PROGRAM will come up for review by the current session of Congress when the legislators take up the Gold Reserve Act of 1934, which expires June 30. This authorized the President to lower the gold content of the dollar to 50% of its pre-devaluation parity, established the \$2,000,000,000 stabilization fund, and empowered the President to fix a buying price for domestically mined metal. It's pretty well agreed that Congress will ratify continuation of the stabilization fund, though it may insist on publicity of the fund's operations—publicity similar to that of the Exchange Equalization Account of Great Britain, which gives details of its operations three months late. Congress may also continue the President's authority to lower the dollar's gold content; but as the price of gold is \$35 an oz. (and too much of it is coming here already), exercise of the power to raise the price further is doubtful; indeed that authority now seems very much a New Deal atavism. The real fight in Congress will come on the buying of silver above the market price. What happens will depend not on economic but on political motives.

Utility Construction

THE PUBLIC UTILITY INDUSTRY's contribution to prosperity in 1939 is expected to

be very little changed from what it has been in the last two years. In 1938 the industry is estimated by the Edison Electric Institute to have spent roughly \$470,000,000 on generating and transmission facilities, and in 1937 the expenditure was \$480,000,000. That's a long way from the Washington estimates of needed outlay, and it probably is a little disappointing to many mining and manufacturing lines which took the Washington figures too seriously. Yet it has been apparent all along to those close to the industry that too much optimism would be unhealthy (BW—Oct 22 '38, p15; Nov 5 '38, p16).

More Trouble for Zinc

THE ZINC INDUSTRY came up to the end of the year with the feeling that it had pretty well adjusted itself to the reduced United States tariff on the metal which became effective Jan. 1. The price had been cut to a point where it afforded fair protection against imports, and prospects on industrial consumption were fairly encouraging. Then the markets reopened after the holidays. Britain's pound was down nearly 3¢, which has the effect of cheapening London zinc for American buyers. On top of that, unsettlement in the English markets sliced another decimal off the quotation for the metal in London. Result: a brand-new burst of blues in American zinc circles.

New Rules on Proxies

OBSERVERS OF THE CORPORATE scene long have bewailed the little interest and the small voice of rank-and-file investors in the companies in which they hold common stock. To expedite better representation, the New York Stock Exchange has issued new rules on handling of proxies by member firms. In general, brokers must forward to customers all data concerning proxies for any stock in the broker's control; the broker cannot vote the proxy without specific direction of the customer-owner.

BUSINESS ABROAD

Watch Rome on January 11

Mussolini-Chamberlain meeting will determine (1) what's ahead for Spain, (2) whether or not Italy will get a badly-needed British loan, (3) probable outcome of the Italo-French colonial issue.

Europe's first important diplomatic maneuver in 1939 is scheduled for next week when, on Jan. 11, Prime Minister Chamberlain will meet Mussolini in Rome. No. 1 issue with both negotiators is some settlement of the Spanish problem. Mussolini's price for withdrawal of troops will undoubtedly be a nominal victory for the Franco forces (probably through the reinstatement of the old royal family in the person of Don Juan), and a large British loan.

No. 2 development in Europe from the business point of view is the visit to Berlin of Montague Norman, head of the Bank of England, and the meeting which begins in London on Jan. 18 of the Federation of British Industries at which the question of Anglo-German trade competition in foreign markets will be discussed as well as the development of direct trade between the two countries. Insiders believe that the British will agree to some

allocation for foreign markets, though in any trade war Germans cannot dictate terms in the same final manner that they have dictated political terms in all two-country deals. The German declaration that the Reich will build up a submarine force equal to the British was undoubtedly timed to intimidate the British trade negotiators.

Gold Sells at New High

LONDON (Cable)—The price paid for gold in terms of British pounds touched a new high this week of 150s 5d on Wednesday, indicating the growing pressure on the pound following the steady drain of gold from London since September and the growing budget deficit in Britain.

Rigid internal economies are expected in Britain this spring and summer. The Essex County Council this week announced a cut in its 3-year spending

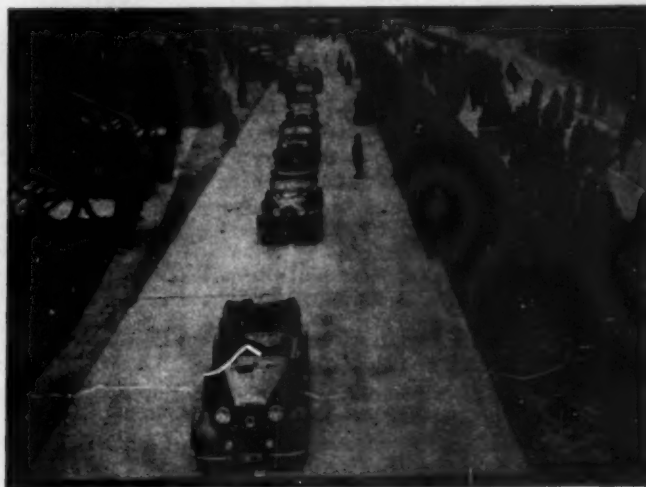
program from £5,372,494 to £4,701,224. This is the first of a long range of internal economies expected on the part of local governments. There is also talk in business circles of the need for increasing the work day and reducing wages if British industry is to compete with Continental producers and keep up with the arms programs of the dictators.

Though wage cuts are so far only discussed, even the rumor has cast a shadow over the already depressed building industry. Britain's building boom passed its peak several years ago, but there has, until recently, been confidence that any pickup in business would revive the demand for houses. Now there is considerable talk among the building societies, whose funds were in large part responsible for the British building boom of four or five years ago, of the possibility of investing in housing developments in the United States. Several British builders have been experimenting profitably with large-scale residential construction in both New York and California.

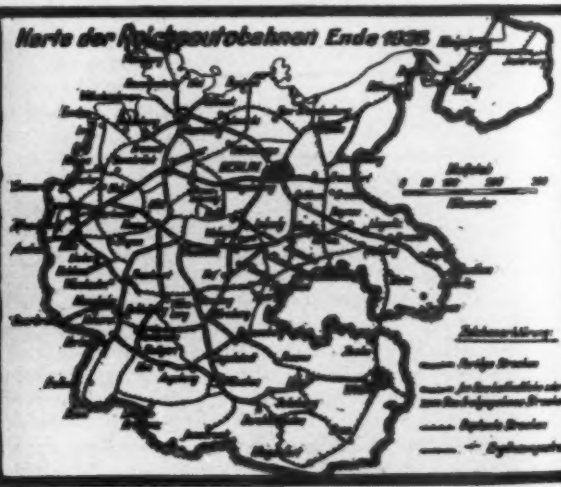
Italian Demand, French Offer

PARIS (Wireless)—In spite of the weakness of the English pound all this week and the critical situation in the Mediterranean where Italy still threatens the French colonial possessions, business optimism in France continues to grow. In Paris, it is believed that the maximum concessions which France will grant to Italy are a reduction in Suez canal rates, creation of a free port at Djibouti (in

Germany Pushes Its System of Super Roads Toward the East



Last month Germany completed the 1,900th mile of its new "Autobahnen" (fast motor roads) and the country celebrated as a motor procession broke the tape over the newest road. What intrigued foreign observers was the latest official map of Germany's super-roads. It shows that many of the roads next on the construction



list encircle dismembered Czechoslovakia—one cuts straight across—and reach out to the East. These would be the military arteries of "Drang nach Osten." The key to the map can be translated thus: new roads; roads under construction or appropriated for; roads planned; old roads to be brought into the new system.

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French Somaliland), and cancelling of the Franco-Italian agreement of 1935 which provided that Italians in Tunisia would lose their Italian nationality if they settled down in the French colony for two generations.

It is believed here that the Spanish civil war will wind up at the end of January or early in February with, probably, the return of the young Don Juan to Spain as king. It is even believed that the Italians will withdraw from Spain if that is the price demanded by London for a British loan which Rome needs desperately.

Military authorities declared this week that airplane production is picking up in France under the discipline enforced by Premier Daladier's government and output during the spring of 1939 will be at the rate of 200 planes a month. This means that early in 1940 the French air forces will have 2,167 new planes in service.

Labor Laws—Soviet Style

Moscow (Cable)—Soviet officials continued their drive this week to make Russian labor more responsible and less transitory.

In addition to the decrees laid down during the last two weeks (BW—Dec24 '38,p36; BW—Dec31 '38,p41), Kremlin authorities have published three new restrictions:

(1) Accident and sickness insurance benefits will be paid on the basis of length of service on a job. Those who have remained on the same job for six years will be paid full benefits prescribed in their policies; those who have been on the same job from three to six years will receive 80% of the prescribed benefits; from two to three years 60%; and under two years only half the amount of the old timers. Almost the only exception to these new regulations is the coal mining industry, where the allowances will be more liberal. Finally, to push organized unionism, all listed rates of benefit payments will be cut in half for non-union workers.

Housing Is Means of Coercion

(2) In the future, workers who are dismissed from a position, or who give up their jobs with no reason, will be evicted from factory apartments. In the face of the general housing shortage, thousands will think twice before risking the loss of their apartment.

(3) Maternity leaves have been cut from four months to 63 days, with prospective mothers becoming eligible for paid maternity leave only after seven months of employment on the same job. At the same time, however, lying-in homes, nurseries, and kindergartens will be built and better facilities provided in all factory towns for the care of small children.

Comparable in scope to the social security records which must be kept in

Washington as a result of the new laws in the United States are the new labor records which were ordered kept in the Soviet Union since the beginning of the year. A record is kept of every worker, and the new regulations will be rigidly enforced. It is going to be impossible for a Soviet worker to move at will from place to place, or to abuse the right of sick leaves.

To meet the demands for workers in new factories, a system of labor exchanges will be set up so that a worker, legitimately transferred to a new plant, is not penalized along with the wilfully transitory.

Crisis in Germany

BERLIN (Cable)—Internal economic conditions in Germany are becoming increasingly serious.

On New Year's Day, the government announced that coffee consumption is going to be reduced. Theoretically, this is being done to frighten Brazil into bargaining more freely with Germany for an exchange of goods. Actually, the sharp reduction in German exports last year has reduced the volume of foreign exchange to a point where it is necessary for Nazi officials to curtail further all imports not essential for industry and minimum nourishment. Imports of coffee had increased from 129,000 tons in 1933 to 190,000 tons last year.

Another indication of the slump in foreign trade was the announcement this week that export orders booked by German industries during the first nine months of last year were 800,000,000 marks (about \$320,000,000) smaller than in the same period in 1937. This means that German imports during the spring of 1939 are likely to be curtailed because of the shortage of foreign exchange to pay for them.

Japan Shares Little of Spoils

Germans don't take very seriously the promise of Japan to share with them, and with the Italians, the newly opened market in Japanese-controlled China. German business is likely to enjoy a few privileges in China, but there is little question in the minds of those Germans who have recently been in China that Japan intends to keep for itself the lion's share.

The greater financial tension inside Germany was demonstrated in the Reichsbank's year-end statement which shows that note circulation is 50% higher than it was a year ago. A part of this expansion is due to the fact that German currency now circulates in both Austria and the Sudetenland, but this is estimated to account for not more than approximately 20% of the increase. Industrial expansion over this same period is up only 6%.

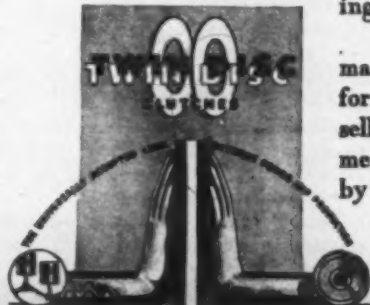
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Mussolini Is Always Right



—that's what the sign says. And what Il Duce was urging as right in this case was economic independence for Italy. The occasion was the recent Autarky Exposition, at which were displayed Italian products from all over the Empire.

Canada To Cut Taxes

Business looks for sales tax slash as election-year strategy. Alberta defaults again.

OTTAWA—Canadian business may get some federal taxation relief in 1939—not because the treasury is flush but because this is likely to be election year. Election strategists figure that a cut in taxation would have more vote appeal than a budget balance. If a cut is made, it will probably come principally in the 8% sales tax, producer of about \$125,000,000 in the current fiscal year. It might be dropped to 4%.

An initial survey of 1938 indicates that, next to 1937, it was the best post-depression year. Canada's concessions to the United States recession were moderate. Federal revenues, a fair indicator, were only about \$2,500,000 lower than 1937. Business operations are placed at only about 10% below 1937, and the upswing had reduced this average to under 5% for November and to something less for December. Other measuring sticks confirm this general tally. Bank clearings, for example, were under 1937 by only 8%.

Good Foreign Trade

In external trade, 1938 gave Canada a favorable balance of around \$280,000,-

000 as against \$316,000,000 for 1937. Exports, including re-exports, will total about \$966,000,000 compared with 1937's \$1,125,000,000, and imports will be approximately \$686,000,000 compared with \$809,000,000 for 1937. (A jump from \$15,000,000 to \$44,000,000 in re-exports was largely in gold coin brought in several years ago, sent out in 1938 and replaced in the Canadian mint with Canadian gold bars.) Trade with the United Kingdom held well, exports amounting to \$345,000,000 as against \$405,000,000 the previous year, and imports \$121,000,000 compared with \$147,000,000. The slump was mainly in trade with the United States, where exports fell to \$348,000,000 from \$470,000,000 in 1937, and imports to \$430,000,000 from \$490,000,000.

Mining Holds Up Well

The big mining industry refused to recognize the recession, keeping production value at \$440,000,000 compared with \$457,000,000 for 1937, the 4% drop being due almost entirely to the decline in base metal prices. Gold attained a new peak at \$96,000,000 against \$84,000,000 the previous year. Copper, lead, and zinc production was up but price recessions curtailed the values. The production of crude oil gained 100%.

Construction for the entire year (contracts awarded) was 16.5% under 1937, but was coming up fast at the end, December being only 2.2% below the parallel month of 1937.

In the final months of the year, power

output was close to the corresponding period of the previous year. Stock market operations were depressed much more than general business, transactions in Montreal being only about half those of 1937. Retail trade should average close to the 1937 level, Loblaw Groceries, a leading chain, being in the last half of the year well ahead of 1937 in sales.

The gain over 1937 in railroad earnings which commenced in the early fall has for the most part been sustained but the Canadian National deficit for the year will be up.

Canadian observers look into 1939 with cautious optimism. Nothing is seen on the horizon beyond possibility of further trouble in Europe to obscure a bright prospect. If United States business advances, as expected, Canada will surely follow. The general view is that 1939 should easily top 1937 barring unforeseen developments.

Alberta Defaults

A depressing incident at the year's opening was another debt default by Alberta, fifth under the Social Credit government. It was on a maturing of \$1,000,000, making the total amount in default since 1935 \$8,500,000. This, in the minds of observers, is coupled with the expedition of Premier Hespurn of Ontario to Australia to note the experience of that country in debt refunding. Business opinion generally is critical of the admitted trend of the Hespurn provincial government towards arbitrary debt action.

Making Good Neighbor Policy Pay

Realizing that profits speak louder than propaganda, United States launches program for developing Latin American production of materials which we need.

LATIN AMERICANS are impressed by the radio broadcasts which are aimed at them from Italy, Germany, and the United States, but their interest in them is a fickle one. It may shift from one to the other a dozen times a year.

Trade ties are another thing. They affect the pocketbook. They mean employment to wheat growers in the Argentine, cotton growers in Brazil, and cattlemen in Uruguay. Brazil has been outspoken in its dislike for Nazi propaganda, but has recently been compelled to make a fresh agreement with the Reich to take German goods in payment for Brazilian cotton.

Behind the talk of hemisphere solidarity which has developed during the last few months, and the plans for naval and aviation expansion already under discussion in Washington, a long-term program is taking shape which will

greatly increase our use of the potential raw materials of neighboring Latin America and our dependence on them. It grows out of the realization that sources of supply in southeastern Asia might quickly be cut if trouble develops in the Pacific, and that Europe intends to commandeer for itself in time of war all of the essentials that it can obtain from Africa. Also, there is the assurance that ties with Latin America will grow with the expansion of trade, that the good neighbor policy will be put on a sound profit basis.

Quinine Plants for Brazil

Washington's moves along this line are unfolding so quietly that they are unknown to many. For example, a few months ago a representative of the Department of Agriculture, while visiting Brazil, presented the government with

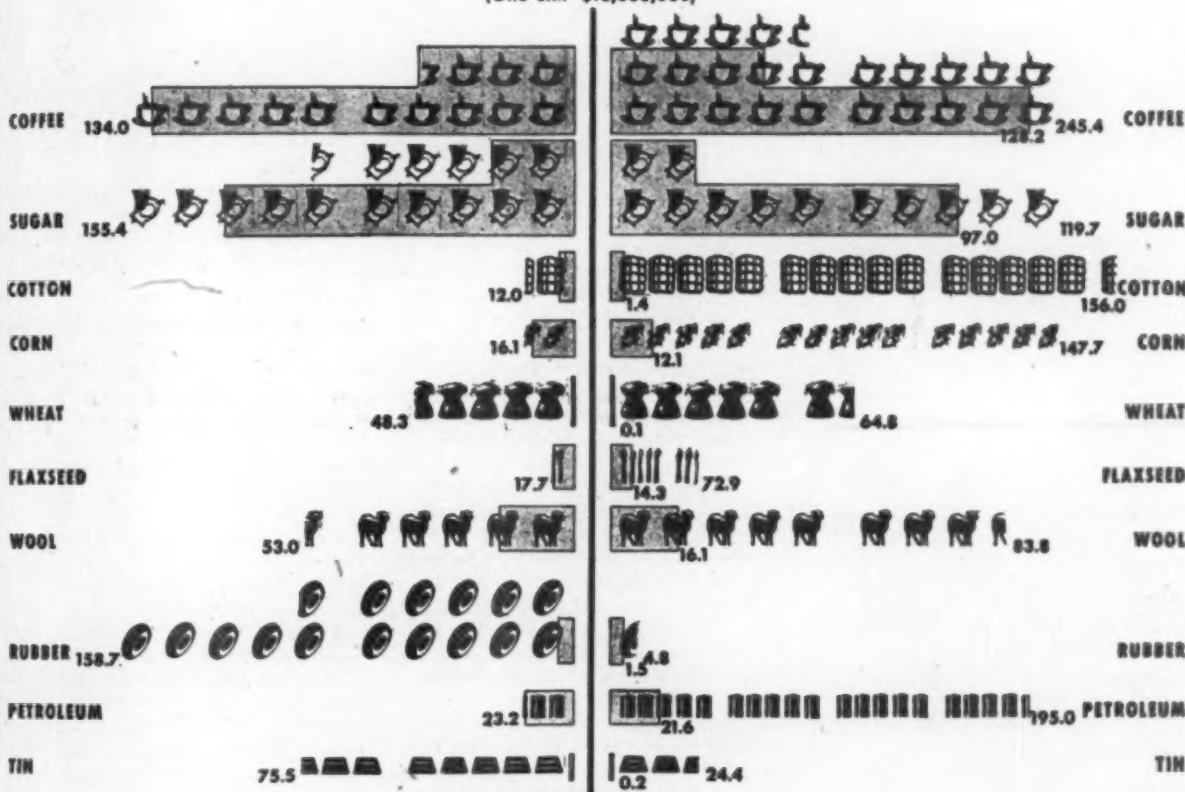
A PLAN FOR TRADE WITH LATIN AMERICA

Bankers, industrial leaders, and politicians realize at last that our sales to Latin America will not grow much until we help our southern neighbors acquire a little more spending money—which means until we buy more of the cocoa, and tin, and flax that they have for sale. (Experts in Washington are working now on a long-term program to increase our business with the Americas. We have almost no tin at home, and we buy almost none from this hemisphere, though Bolivia could supply at least a third of our needs. Almost all of our rubber comes from troubled southeastern Asia, or from Africa (which is being remapped by greedy European powers); yet rubber came originally from Brazil, and can be grown there, probably in sufficient quantity to meet all our needs. (This embryonic long-term plan for the development of Pan American economic cooperation is of far greater significance to business than are the comparatively small results accomplished at the Lima conference last month. The figures show the possibilities.

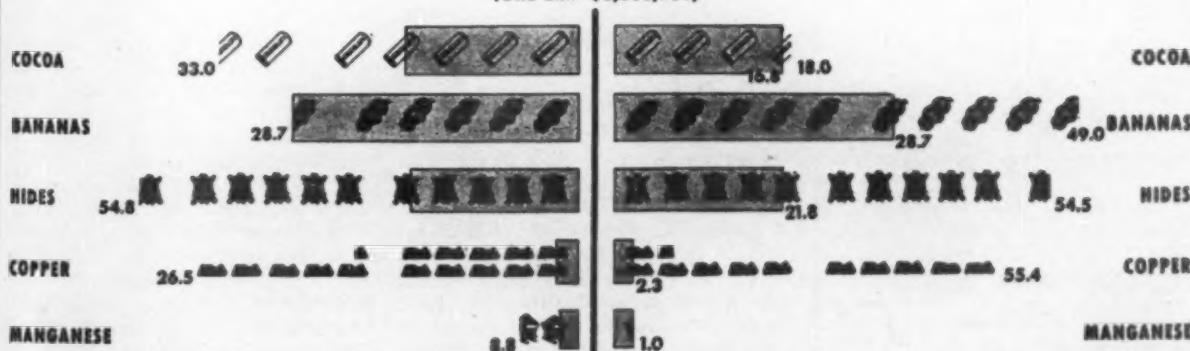
The United States imports these raw materials from all sources. It now buys only the shaded quantities from Latin America.

Latin America exports these raw materials to all customers. It now sells only the shaded quantities to the United States.

(One unit=\$10,000,000)



(One unit=\$5,000,000)



Figures show value in millions of dollars.
Shaded areas on each side of center line are equal in value for each commodity

Business Week

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January 7, 1939

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Agency—BRIGGS & VAILLEY, INC.	
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Agency—LORD & THOMAS	
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1,000 young quinine plants (BW—Nov 12'38,p49). These will be planted by government agronomists in various parts of Brazil to see where they grow best.

In time, Brazil—where the cinchona tree originated—may compete with Java as a source of the cinchona bark from which quinine is made. Practically all of our imports now come from the Dutch, who have a virtual monopoly on the business, and who grow the trees in their colonies in the Far East. Bolivia and Peru already grow a little quinine, but they can't market it commercially in competition with the Dutch.

As a sequel to the Brazilian gesture, another representative of the Department of Agriculture sailed only a week ago to make a special study of the agricultural possibilities of Paraguay.

Brazil Developing Rubber

Rubber is regularly one of our largest imports. Most of it comes from plantations in the Dutch and British East Indies, Malaya, and from Liberia in Africa, though rubber trees were first found in the Amazon forests of Brazil. Authorities estimate that there are 1,000,000 square miles in the upper Amazon valley where rubber trees now grow wild. But it has not been economically possible to gather the latex there and sell it in competition with plantation rubber from the Far East.

Henry Ford has started a plantation along the banks of the Amazon which is already producing small quantities of rubber, and the Brazilian government is trying to develop systematic production, but it requires an assured market before it will make much progress.

State and Agriculture Department plans to develop new sources of supply in Latin America will have the backing of the War Department when they come to the question of tin and manganese. Most of our tin now comes from Malaya, by way of British smelters, and our manganese comes from India, Africa, and the Soviet Union. Bolivia, however, has one of the richest tin mines in the world, and small quantities have been found in the Argentine, indicating that further surveys may show deposits with commercial possibilities in Peru, Brazil, and Colombia.

Reserves of Manganese

Manganese is essential to the steel industry, and very little is produced in the United States. Cuba, Mexico, Argentina, Brazil, and Chile all have deposits of manganese. No summary of Brazilian reserves has been made as only a part of the country has been explored, but known reserves are believed to exceed 15,000,000 tons, and some estimates of total reserves run as high as 120,000,000 tons with a very high ore content.

Chile produced only a little more than 6,500 tons of manganese in the last year for which data are available, but

America First

AS THE RESULT of weakness in the pound sterling, which carried that currency down from \$5 to \$4.62½ in foreign exchange, the Chase National Bank has gone over the top as the world's largest banking institution—surpassing the Midland Bank, Ltd., leader of London's "big five."

On Dec. 31, the Chase reported total resources of \$2,523,167,000, which gave it an \$81,000,000 margin over Midland's recently reported total of \$2,441,824,000, equivalent at \$4.62½ to the pound to \$2,441,824,000.

In deposits, Midland was still the "largest bank," but by an extremely skimpy margin—\$2,231,684,000 to the Chase's \$2,234,333,000. Thus, a half cent drop in the pound would put Chase ahead in deposits.

Chief reason why Chase tops the Midland over-all total, is that Chase's capital account at \$235,787,000 exceeds the Midland's by more than \$100,000,000.

as long ago as 1891, when demand was heavy, Chile produced 52,000 tons.

The table on page 41 shows mainly those products which Latin America produces in the largest quantities. In many cases, the United States is the biggest outlet (coffee, bananas, manganese). In others, Europe is the big consumer (wheat, corn, tin). What the chart cannot show is the potential ability of the Latin American countries to increase production of such items as cocoa, and to develop the output of others, like rubber.

Many of Latin America's exports will never find a market in the United States. Argentine wheat and corn, Brazilian and Peruvian cotton, and Chilean nitrate will enter our market only in abnormal years. But if all of the tropical countries find they can supply us with coconut products, rubber, cocoa, and spices, they may be tempted to raise them instead of some of the other crops they now grow. And United States capital may find it profitable to participate in this rationalized new scheme, with shippers and manufacturers cooperating.

Trade with Latin America is taking a new importance, and a new pattern. The dictator countries have made it plain that they intend forcefully to control business in large areas until recently open to everyone as markets and sources of supply. Without shutting off the western hemisphere from the rest of the world, Washington intends to make it profitable both for our neighbors and ourselves to do more business with each other.

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EDITORIALLY SPEAKING

Reactionary

SUGGESTED SENTIMENT to grace the menus of the Jackson Day dinner, where Democratic bigwigs sound off in honor of their patron saint:

"I am one of those who do not believe a national debt is a national blessing."—Andrew Jackson.

Query

IN DISCUSSING President Roosevelt's probable attitude toward revision of the Wagner Act, the New York *World-Telegram* recently had this to say: "We believe he will do what it takes to make the Wagner Act, by amendment and by change in its administration, accomplish what it set out to accomplish, to make it do, for example, for all industry what the Railway Mediation Act has done for the railways."

What, "for example"?

Old West

IT WAS Charlie Russell, the unlettered but inspired cowboy painter of the Old West, who once complained that our country never had recognized its debt to the "humped-backed beef," as he called the buffalo.

"The Rocky mountains would have been hard to reach with out him," wrote Charlie. "He fed the explorer. The great fur trade wagon trains felt safe when they reached his range. He fed the men that layed the first ties across this great west. Their is no day set aside where he is an emblem. The nickle wears his picture. Dam small money for so much meat. He was one of natures biggest gift and this country owes him thanks."

And now, Charlie, they've even taken his picture from that "dam small money" and put Thomas Jefferson in his place. Had you heard that, over there on the boundless range beyond the River? Of course, those fellows in the government mint may have figured that although the "humped-backed beef" helped to conquer the West, it was Jefferson who acquired it in the first place.

But next time I'm in Great Falls, Charlie, I'm going to stop in at that other "Mint", have a drink to your memory and hold pow-wow with your shade. For I'm sure you must have left him there for just such emergencies. We'll talk about those hundreds of American businesses and thousands of business men, from the dude-ranches and the motion-picture lots of the West to the publishers and the "cowboy suit" factories of the East, who owe so much to the amazing glamor that you, Charlie, and others like you have spun around the brief but colorful interlude of the Old West. I wonder if they know it.

And whoever may have acquired the West, and whoever may have conquered it, no one can question your part in immortalizing its glories. So you have a right to say your say about this business of running off its measly 8¢ reservation the image of its noblest denizen. And I'd give a lot, Charlie, to hear you say it!

Big Gun

BACK WHEN T. R. was President we had a scare over possible war with Japan. And in the midst of it some Japanese official made a crack that has come to mind more than once during the current discussion of national defense. Someone had asked the Japanese what he thought about the possibility of war between his country and the United States. His reply rates being pasted in the hat of T. R.'s successor during these troublous times.

"Such a notion," he answered, "is fantastic. Japan would be insane to fight your country. For just the instant that war was declared, you would bring into action the most powerful engine of war that man ever has devised—the United States Treasury."

What he meant, of course, was that through the Treasury we could put the national credit to work mobilizing for the national defense all the resources and productivity of our people. And they were vast and powerful enough to smear Japan several times over. But at that time the national debt was small and the national credit practically unpledged. We had our full strength in reserve. And the power to invoke it was about the heaviest gun in our arsenal.

Today the picture is different. The national resources already are heavily mortgaged; and, what is more important, we continue to increase the mortgage each year, with no end in sight. Which means that we are reducing our defensive reserve by just that much. If it was true thirty years ago that a nation's unmortgaged resources constituted its strongest defense, how much more true is it today when war is so essentially a test of economic resources and endurance.

So regardless of our personal theories as to how much debt the nation "can stand" in time of peace, it looks as though some of our first preparations for defense should be directed toward polishing up "our greatest engine of war"—the national credit. For if we show our capacity to do that job, we may once again convince potential enemies of the madness of making war against us. And victory thus won is a tenfold victory, in that it saves to us the lives and the treasure that otherwise may be sluiced into the waste and devastation of modern war. W.T.C.



The "Industrial Cupid" gets a new arrow . . .

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BUSINESS WEEK

The Journal of Business News and Interpretation

January 7, 1939

The Case for the Budget

AS SELDOM BEFORE, we should be able this year to see the fundamental issue that looms through the forest of figures in the government budget. For whatever the President could say about the figures this week, the issue was defined by Chairman Eccles of the Reserve Board and Sen. Byrd of Virginia last month.

Their revealing controversy began Dec. 1 when Mr. Eccles injected into his address before the American Institute of Banking a discussion of taxation relative to the national income. In the last three years, he stated, taxation in the United States has averaged 17.5% of the national income; in England, 20%. In the United States, national income in this period has averaged 75% of 1929; in England, 110%. If our national income had risen as much as England's, and if our taxes relatively were as high as England's, we could maintain the current level of expenditures, balance the budget, and still have a large remainder.

From this, Mr. Eccles went on to say that "the one sure and only way in which we can achieve the balanced budget which we all wish to achieve" is to refuse to "cut down expenditure, whether private or public, before we have reached a national income reflecting reasonably full use of our man-power and productive facilities." And he concluded, "To this end, the government, through its borrowing power, must temporarily take over and put into action the otherwise idle funds of investors, and when, as happened after 1929, there is a vast shrinkage in the volume of bank money, it must create new money by the sale of securities to the banking system and put the newly created money to productive use. . . . We need to recognize that the principle of the flexible budget is a necessary safeguard of private capitalism, and we must learn to use it as an instrumentality for moderating extremes of inflation or deflation."

TEN DAYS LATER Sen. Byrd rose to the attack, telling the Massachusetts Federation of Taxpayers' Associations that, "we have at Washington today the most costly, the most wasteful, and the most bureaucratic form of government this republic has ever known or has ever been afflicted with." "In the fiscal year of 1939," he said, "the expenditure of all governments in America will be more than \$20,000,000,000, or almost one-third of the total gross income of the nation."

* * * The regular or ordinary expenses of the federal

government have increased from \$2,700,000,000 in 1934 to \$5,700,000,000 in 1939, an increase of more than 100%." As for the theory that reduced government spending caused the recession of 1937, "the actual records contradict this statement. For the year beginning July 1, 1937, all governments—local, state, and nation—spent \$18,415,000,000, and for the previous year \$17,516,000,000."

Chairman Eccles counter-attacked by letter Dec. 22, insisting that the contraction of national income since 1937 was largely due to "a too sharp and too rapid reduction, amounting to more than \$3,000,000,000, in the government's net contribution to community purchasing power in 1937 as compared with 1936." By borrowing from banks, he argued, the government replenishes the supply of bank deposits; by borrowing from individuals it usefully activates funds which otherwise would have been idle. "We have never had prosperous conditions without an accompanying expansion of debt, either public or private, or both."

NOWHERE ELSE has there been presented so complete a statement of "the theory that, as private employment diminishes from whatever cause, the government can in part compensate for it by increasing expenditures." And no man in public life has yet made a more effective rebuttal. Chairman Eccles' views are embodied in the fiscal program of the last six years. Sen. Byrd is the spokesman of inarticulate but uneasy millions of citizens. But, as the issue is drawn, we should like to know in whose behalf this was spoken: "Too often in recent history liberal governments have been wrecked on the rock of loose fiscal policy. We must avoid this danger." The speaker was Mr. Roosevelt—in March, 1933.

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